

## **FORESIGHT 4 VCT PLC** **PROSPECTUS**

In connection with:

a merger with Foresight 3 VCT plc through the acquisition of its assets and liabilities (“Merger”)

and

an offer for subscription to raise up to £50 million, with an over-allotment facility to raise up to a further £50 million (“Offer”)

**PROSPECTUS AND OFFER**  
**APPLICATION FORM**

MAY 2017



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (FSMA).**

If you have sold or otherwise transferred all of your shares in Foresight 4 VCT plc (the Company), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which comprises a prospectus relating to the Company dated 19 May 2017, has been prepared in accordance with the prospectus rules made under section 84 of FSMA and has been approved by the Financial Conduct Authority (FCA).

The Company, the Directors and the Proposed Director, whose names appear on page 38 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Company, the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The existing Shares issued by the Company are listed on the premium segment of the Official List of the UKLA and traded on the London Stock Exchange's main market for listed securities. Application has also been made to the UKLA for the Consideration Shares and the Offer Shares (together the New Shares) to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its main market for listed securities. It is expected that such admission will become effective and that trading in the New Shares will commence within three business days following the allotment of such New Shares. The New Shares will rank pari passu with the existing issued Shares from the date of issue.

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# FORESIGHT 4 VCT PLC

*(Registered in England and Wales with registered number 03506579)*

## PROSPECTUS

relating to:

**the issue of up to 55 million Consideration Shares in connection with the merger with Foresight 3 VCT plc through an acquisition all of its assets and liabilities (Merger)**

**and**

**an offer for subscription to raise up to £50 million with an over-allotment facility for a further £50 million through the issue of Offer Shares (Offer)**

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The Merger and the Offer are conditional upon, inter alia, the approval of Shareholders at the general meeting to be held on 14 June 2017. The Merger and the Offer are not, however, conditional on each other. The procedure for, and the terms and conditions of, Application under the Offer, together with an Application Form are set out at the end of this document. Completed Application Forms should be returned to The City Partnership (UK) Limited (Receiving Agent). The Offer will close on 30 April 2018 (unless fully subscribed earlier or otherwise at the Board's discretion). The Offer will not be extended to a date later than 12 months following publication of the Prospectus.

Shakespeare Martineau LLP, which is regulated in the United Kingdom by the Solicitors Regulation Authority, is acting as legal adviser to the Company and Foresight 3 VCT plc (F3) and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to in this document.

BDO LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of BDO LLP (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) in providing advice or in relation to any matters referred to in this document.

Foresight Group LLP (Foresight Group), which is authorised and regulated in the United Kingdom by the FCA, is acting as promoter to the Offer and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Foresight Group (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) in providing advice or in relation to the Offer.

No person has been authorised to give any information or representation other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document hereunder nor any subsequent receipt of, subscription for, or sale of Shares shall, under any circumstances, create any implication that the information contained in this document is correct as of any time subsequent to the date of this document.

The attention of Shareholders of the Company (and shareholders in F3 in respect of the Consideration Shares) who are resident in, or citizens of, territories outside the United Kingdom is drawn to the information under the heading "Overseas Shareholders" in paragraph 5 of Part IX of this document. In particular, the New Shares have not and will not be registered under the United States Securities Act 1933 or the United States Investment Company Act 1990.

**Persons receiving this document should carefully consider the risk factors on pages 14 to 17 of this document.**

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## SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A to E.

This summary contains all of the Elements required to be included in a summary for the type of shares being issued pursuant to this document and the Company being a closed-ended investment fund. Some of the Elements are not required to be addressed and, as a result, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate 'Not applicable' statement.

<b>A</b>		<b>Introduction and Warnings</b>
A1	Warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities of the Company should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a Court, the plaintiff investor might, under the national legislation of Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	Use of Prospectus by financial intermediaries for subsequent resale or final placement	The Company, the Directors and Raymond Abbott (Proposed Director) consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offer. The Offer is expected to close at 12.00 noon on 30 April 2018. The Merger is expected to complete on 22 June 2017. There are no conditions attaching to this consent. <b>Financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.</b>
<b>B</b>		<b>Issuer</b>
B1	Legal and commercial name	Foresight 4 VCT plc (the Company)
B2	Domicile/Legal form/Legislation Country of incorporation	The Company is a public limited liability company which is registered in England and Wales with registered number 03506579.  The principal legislation under which the Company operates is the Companies Act 2006 (and regulations made thereunder).
B5	Group description	Not applicable. The Company is not part of a group
B6	Material Shareholders/ Differing voting rights/Control	The Company has no material shareholders with different voting rights. Shareholders in the Company (Shareholders) have the same voting rights in respect of the existing share capital of that Company. As at 18 May 2017 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who, directly or indirectly, has or will have an interest in the capital of the Company or voting rights which is notifiable under UK law (under which, pursuant to Companies Act 2006 and the Listing Rules and Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, a holding of 3% or more in a Company will be notified to the Company).

B7	Selected Financial information		Audited year ended 31 March (£'000)			Unaudited six month period to 30 September (£'000)	
			2016	2015	2014	2016	2015
		Investment income and deposit interest	2,570	1,147	826	316	102
		Total profit/(loss) on ordinary activities before taxation	(5,550)	7,272	(4,357)	1,337	(4,231)
		Net Assets					
		ordinary shares (Shares)	40,365	32,139	33,456	41,678	44,162
		former C shares*	-	20,704	12,349	-	-
		NAV per share (p)					
		ordinary shares (Shares)	70.4	83.9	86.7	72.6	76.6
		former C shares*	-	110.8	66.1	-	-
		Dividends paid per share (p)					
		ordinary shares (Shares)	4.0	-	4.0	-	-
		former C shares*	25.0	-	-	-	25.0
		<p>*The C shares merged with the Shares in 2015 on a conversion ratio of 1.022646 Shares for every C share.</p> <p>The Company's net asset value per Share has decreased from 86.7p as at 31 March 2014 to 72.6p as at 30 September 2016 and dividends of 4.0p have been paid per Share between 31 March 2014 and 30 September 2016.</p> <p>There has been no significant change to the issuer's financial condition and operating results between 30 September 2016 and the date of this document.</p> <p>The Company's unaudited net asset value per Share as at 31 December 2016 was 73.6p, this being the latest published net asset value per Share published by the Company as at the date of this document.</p>					

B8	Key pro forma financial information	<p>Following implementation of the merger with Foresight 3 VCT plc to be completed by way of an acquisition of the assets and liabilities of F3 in consideration for the issue of new Shares (Merger) based on the unaudited net assets of each company as 30 September 2016, the special dividend of 4.0p per Share payable conditional on, and post, the Merger and the offer for subscription for up to £50 million, with a further allotment facility for up to a further £50 million (Offer), becoming effective (Special Dividend), and the Offer, the Company is expected to have net assets of approximately £163.14 million. This assumes (i) the Merger having been completed based on the unaudited net assets of the Company and F3 (Companies) as at 30 September 2016 and estimated Merger costs of £400,000, (ii) the amount of the Special Dividend being £4,206,464 in aggregate and (iii) the Offer being fully subscribed utilising the over-allotment facility and the Offer costs being a maximum of £5.5 million.</p> <p>This pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation, and therefore, does not represent the Company's actual financial position or results.</p>
B9	Profit forecast	Not applicable. There are no profit forecasts in the Prospectus.
B10	Qualifications in the audit report	Not applicable. There were no qualifications in the audit reports for the Company in the years ended 31 March 2014, 2015 and 2016.
B11	Insufficient working capital	Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.
B34	Investment objective and policy	<p>To provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted companies in the United Kingdom. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains from trade sales or flotations.</p> <p>The Company will target UK unquoted companies which it believes will achieve the objective of producing attractive returns for shareholders.</p> <p><b>Investment Securities</b></p> <p>The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stock, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted or AIM listed securities, cash is primarily held in interest bearing accounts as well as a range of permitted liquidity investments.</p> <p><b>UK companies</b></p> <p>Investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must satisfy a number of tests set out in Part 6 of the Income Tax Act 2007 to be classed as VCT qualifying holdings.</p>

		<p><b>Asset mix</b></p> <p>The Company aims to be significantly invested in growth businesses subject always to the quality of investment opportunities and the timing of realisation. Any uninvested funds are held in case and a range of permitted liquid investments. It is intended that the significant majority (no less than 70%) of any funds raised by the Company will ultimately be invested in VCT qualifying investments.</p> <p><b>Risk diversification and maximum exposures</b></p> <p>Risk is spread by investing in a range of different businesses within different industry sectors at different stages of development, using a mixture of securities. The maximum amount invested in any one company, including any guarantees to banks or third parties providing loans or other investment to such a company, is limited to 15% of the Company's investments by VCT value at the time of investment.</p> <p><b>Investment style</b></p> <p>Investments are selected in the expectation that value will be enhanced by the application of private equity disciplines, including an active management style for unquoted companies though the placement of a director on investee company boards.</p> <p><b>Borrowing powers</b></p> <p>The Company has a borrowing limit of an amount not exceeding 50% of the amount equal to the adjusted capital and reserves (being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of its reserves). Whilst the Company does not currently borrow, its policy allows it to do so.</p> <p><b>Co-investment policy</b></p> <p>The Company invests alongside other funds managed or advised by Foresight and Foresight Group. Where more than one fund is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio consideration, such as the portfolio diversity and the need to maintain VCT status.</p>
B35	Borrowings	The articles of association of the Company permit borrowing but the policy of the board of the Company's is not to use borrowing. The Company has no borrowings to date.
B36	Regulatory status	The Company is subject to the Act and the regulations made thereunder and in the UK generally; its shares are listed on the premium segment of the Official List and, as a qualifying VCT, it is subject to regulation by HMRC in order to retain such status. The Company acts as its own alternative investment fund manager for the purposes of the Alternative Investment Fund Managers Directive 2011.
B37	Typical investor	A typical investor for whom Shares in the Company are designed is a retail investor, aged 18 or over, who is a UK tax payer and is who is looking for exposure to investments in unquoted companies. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from the investment.

B38	Investments of 20% or more of a single company	Not applicable. The Company may not make any investments which represent more than 20% of its gross assets in a single company or group.
B39	Investments of 40% or more of a single company	Not applicable. The Company may not make any investments which represent more than 40% of its gross assets in a single company or group.
B40	Service providers	<p>Foresight Group CI Limited (Foresight) is appointed as investment manager to the Company and also provides secretarial, administration and custodian services to the Company. Foresight has appointed Foresight Group LLP (Foresight Group) to provide investment advisory services to Foresight for the purposes of fulfilment of the provision of investment management services to F4 and has also sub-contracted the provision of administration services to Foresight Group. Foresight Group has delegated the provision of administration services to Foresight Fund Managers Limited (Foresight Fund Managers), which is also the appointed company secretary. Foresight Fund Managers is a wholly owned subsidiary of Foresight Group, which is a subsidiary undertaking of Foresight.</p> <p>The terms on which Foresight has been appointed to both of the Companies are similar. In respect of the Company, Foresight receives annual fees of an amount equal to 2.25% of the net assets of the Company. The normal annual running costs of the Company (these being the normal expenses ignoring exceptional items, performance incentive fees and trail commission) are capped at 3.5% of the net assets of the Company as at the end of each financial year with any excess being paid by Foresight or refunded through a reduction in Foresight's future fees. Foresight also receives an annual fee of approximately £157,000 for administration, company secretarial and accounting services (subject to annual increases in line with the Retail Prices Index).</p> <p>F3 has appointed Foresight on equivalent terms, save that an annual fee for administration, company secretarial and accounting services is approximately £129,000 (subject to annual increases in line with the Retail Prices Index).</p> <p>Foresight has agreed, subject to the Merger becoming effective, to reduce its annual investment management fees to an amount equal to 2% of the net assets of the Company as enlarged by the Merger (Enlarged Company) and to a reduction in the expenses cap to 2.95% of the net assets of the Enlarged Company. The annual fee for administration, company secretarial and accounting services for the Company will remain at approximately £157,000 (subject to annual increases in line with the Retail Prices Index for the Enlarged Company).</p> <p>Foresight Group is currently entitled to a performance incentive arrangement in respect of the Company of an amount equal to 15% of dividends paid to Shareholders, subject to a NAV plus dividends (paid on or after 11 January 2011) total return being maintained of 108.5p. A similar performance incentive arrangement exists in respect of F3.</p> <p>If the Merger is effected, the existing performance incentive arrangement will continue and, pursuant to its existing terms, will automatically cover the Enlarged Company. The performance incentive arrangement in respect of F3 will be terminated.</p>

B41	Regulatory status of Foresight Group CI Limited and Foresight Group LLP	Foresight is a private company registered in Guernsey with number 51471. Foresight is licensed by the Guernsey Financial Services Commission.  Foresight Group is registered in England and Wales as a limited liability partnership under number OC300878. Foresight Group is authorised and regulated by the Financial Conduct Authority, with registered number 198020.
B42	Calculation of net asset value	The Company's net asset value is calculated on a quarterly basis and published on an appropriate regulatory information service. If for any reason valuations are suspended, shareholders will be notified in a similar manner.
B43	Umbrella collective investment scheme	Not applicable. The Company is not part of an umbrella collective investment scheme.
B44	Absence of financial statements	Not applicable. The Company has commenced operations and published financial statements.
B45	Investment portfolio	The Company invests in a portfolio of companies which are substantially based in the UK, although many will trade overseas. Investments are usually structured as a combination of ordinary shares and loan stock, while AIM investments are primarily held in ordinary shares. As at 31 December 2016, the Company had, in aggregate, venture capital investments in 23 companies with a carrying value of £39.3 million, with the balance being held in cash, money market funds and other investments.
B46	Most recent NAV per share	As at 31 December 2016, the unaudited NAV per Share was 73.6p.
<b>C</b>		<b>Securities</b>
C1	Description and class of securities	The Company proposes to issue new ordinary shares of 1p each in the capital of the Company (ISIN: GBOOB07YBS95) pursuant to the Merger (Consideration Shares) and the Offer (Offer Shares) (together the New Shares).
C2	Currency	The Company's share capital comprises ordinary shares of 1 penny (GBP) each.
C3	Shares in issue	57,375,499 Shares are in issue at the date of this document (all fully paid up). The maximum number of Offer Shares to be issued pursuant to the Offer is 150 million. The maximum number of Consideration Shares to be issued pursuant to the Merger is 55 million.
C4	Description of rights attaching to the securities	The New Shares will rank equally in all respects with each other and the existing share capital of the Company from the date of issue of such New Shares.
C5	Restrictions on transfer	Not applicable. There are no restrictions on the transferability of the New Shares
C6	Admission	Application has been made to the UK Listing Authority for the New Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that admissions will become effective, and that dealings in the New Shares will commence within three business days following allotment.
C7	Dividend policy	A proportion of realised gains will normally be retained for reinvestment in existing companies and new opportunities and to meet future costs. Subject to this, the Company will endeavour to maintain a flow of dividend payments and maximise the Company's tax-free income available to investors from a combination of dividends and interest received on investments and the capital gains arising from trade sales or flotations.

<b>D</b>		<b>Risks</b>
D2	Key information on the key risks specific to the Company	<p><b>Company</b></p> <p>Whilst it is the intention of the board of the Company that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained.</p> <p>Additional changes to the VCT rules restrict the age of companies into which VCTs can invest and prohibit VCTs from funding the acquisition of businesses. A lifetime risk-finance investment limit for ordinary investee companies of £12 million has also been introduced. These changes mean there will be fewer companies available to the Enlarged Company to invest in and commensurately greater competition for deals.</p> <p>The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively, which may affect tax reliefs obtained by Shareholders and the VCT status of the Company.</p> <p>Investment in unquoted companies (including AIM-traded) by its nature involves a higher degree of risk than investment in companies listed on the Official List.</p> <p>Although the Company may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it will not be in a position fully to protect its interests.</p> <p>The Company's investments will generally be in companies whose securities are not publicly traded or freely marketed and may, therefore, be difficult, and take considerable time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company, which may restrict the Company's ability to obtain maximum value from its investments.</p> <p><b>Merger Related Risks</b></p> <p>Completion of the Merger is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and shareholders of F3. Whilst the board of the Company has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company.</p> <p>If the Merger is not approved and/or effected and the benefits of the Merger not realised, the costs incurred to put forward the Merger proposals to shareholders of the Companies will nonetheless have been incurred and will be split proportionately between the Companies by reference to their respective net assets (ignoring such Merger costs).</p> <p><b>Offer Related Risks</b></p> <p>The Offer is conditional on the approval of Shareholders at the general meeting of the Company. If approval is not obtained the Offer will be withdrawn.</p>

		<p><b>Investment Risks</b></p> <p>There is no guarantee that the Company will meet its objectives or that suitable investment opportunities will be identified to enable the Company to meet its objective. The past performance of the Company, F3, and/or other funds managed or advised by Foresight and/or Foresight Group is not an indication of the future performance of the Company. The NAV of the Shares and the return received by shareholders of the Company will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall and Shareholders may not get back the full amount invested. The level and timing of distributions to Shareholders is not guaranteed.</p> <p>Where more than one fund managed or advised by Foresight and/or Foresight Group is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio consideration, such as the portfolio diversity and the need to maintain VCT status. This may mean that the Company may receive a greater or lesser allocation than would otherwise be the case under the normal allocation policy.</p> <p>Where the Company invests the proceeds of the Offer in companies in which other funds managed or advised by Foresight and/or Foresight Group have invested or are investing, conflicts of interest may arise and the Board will exercise its judgement in managing such conflicts. In such circumstances, Foresight and Foresight Group will apply its conflicts policy in order to reconcile the conflict in the first instance and thereafter, if required, the Board will exercise its independent judgement, so far as they are able, to protect the interests of the Company. It may not, in such circumstances, be possible to fully protect the interests of the Company.</p>
D3	Key information on the key risks specific to the securities	<p>The value of Shares, and the income from them, can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV nor that any dividends will be paid.</p> <p>Although the existing Shares have been (and it is anticipated that the Consideration Shares and the Offer Shares to be issued pursuant to the Scheme and the Offer respectively will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid (which may be partly attributable to the fact that initial subscription tax reliefs are not available for VCT shares bought in the secondary market and because VCT shares usually trade at a discount to NAV). There may not, therefore, be a liquid market and Shareholders may find it difficult to realise their investment. Shareholders should not rely upon any share buyback policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV. An investment in the Company should, therefore, be considered as a long-term investment.</p> <p>A Shareholder who disposes of Shares may be subject to clawback by HMRC of any income tax reliefs originally claimed if such shares are sold within five years of issue. For these purposes, the date of issue of the Consideration Shares to F3 Shareholders will be the original date of issue of the F3 Shares in respect of which such Consideration Shares are issued. Any realised losses on the disposal of Shares cannot be used to create an allowable loss for capital gains tax purposes.</p>

<b>E</b>		<b>Offer</b>
E1	Net Proceeds	<p><b>Merger</b></p> <p>If effected, the Merger will result in an Enlarged Company with total net assets of approximately £72.78 million (after expected Merger costs of approximately £400,000 and the payment of the Special Dividend).</p> <p><b>Offer</b></p> <p>Assuming full subscription under the Offer utilising the over-allotment facility and assuming that all successful applicants are investors who do not invest using an intermediary (and no Offer discounts apply) the Offer costs would be a maximum of £5.5 million and the net proceeds would be a minimum of £94.5 million.</p>
E2a	Reasons for the offer and use of proceeds	<p><b>Merger</b></p> <p>The Merger is expected to create an enlarged VCT with enough critical mass which should generate sufficient income and realisations to meet an attractive dividend target, as well as maintaining a regular programme of buybacks. In addition, based on the above, the Enlarged Company is expected to be more attractive to potential investors and enjoy an enhanced ability to achieve future capital raisings. The Merger will not, however, result in any proceeds actually being raised by the Company.</p> <p><b>Offer</b></p> <p>The Board believes that there is still an attractive opportunity to make further growth investments in order to generate returns for investors. Funds raised under the Offer will allow the Company to take advantage of the continuing flow of investment opportunities being received by Foresight Group and further increase the net assets of the Company and portfolio diversification in line with the ongoing strategy of the Company. Funds raised will also be used to fund payment of dividends and market purchases of Shares and to meet annual running costs.</p> <p>The net proceeds of the Offer will be pooled with the existing cash resources of the Company and utilised as (i) to make new and follow-on investments in accordance with its investment policy, (ii) to fund payment of dividends and market purchases of Shares (subject to having unrestricted (for VCT legislation purposes) distributable reserves) and (iii) to meet annual running costs.</p> <p>Assuming full subscription under the Offer utilising the over-allotment facility and assuming that all successful applicants are investors who do not invest using an intermediary (and no Offer discounts apply) the Offer costs would be a maximum of £5.5 million and the net proceeds would be a minimum of £94.5 million.</p>

E3	Terms and conditions of the offer	<p><b>Merger</b></p> <p>The Merger will be effected by F3 being placed into members' voluntary liquidation and all of its assets and liabilities being transferred to the Company in consideration for Consideration Shares being issued directly to the shareholders of F3. The Merger will be effected on a relative net asset basis adjusted for the costs of the Merger. The costs of the Merger will be split proportionately between the Companies by reference to their respective Merger net assets (ignoring the Merger costs). The Merger is conditional on, inter alia, approval by the shareholders of the Companies.</p> <p><b>Offer</b></p> <p>The number of Offer Shares to be issued to an investor will be calculated by dividing the investment amount by the Offer price.</p> <p>The Offer price at which the Offer Shares will be issued to an investor is determined by the Pricing Formula:</p> <p>Offer price = NAV ÷ X</p> <p>where:</p> <p>NAV is the most recently published NAV per Share on the day of the allotment, adjusted for dividends declared and for which the record date for payment has passed at the time of allotment; and</p> <p>X = 1 - Total Net Fees</p> <p>Total Net Fees means, as applicable, up-front Offer costs and any initial commission or up-front adviser charge for the relevant investor, expressed as a percentage of the amount subscribed.</p> <p>The Pricing Formula takes into account the up-front costs applicable to the relevant type of investor to generate a bespoke Offer price for each investor. The use of the Pricing Formula allows all investors to be treated equally in respect of their investment net of their particular costs incurred.</p>
E4	Substantial shareholders	Not applicable. There are no interests that are material to the issue of New Shares.
E5	Name of persons selling securities	Not applicable. No entity is selling securities in the Company.
E6	Amount and percentage of dilution resulting from the offer	<p>The issued share capital of the Company as at the date of this document is 57,375,499. Assuming the Offer proceeds but the Merger does not proceed, the maximum number of Offer Shares to be issued by the Company is 150 million. On this basis, the existing Shares would represent 27.67% of the enlarged issued share capital of the Company. The actual number of Offer Shares will depend on the Offer prices at which such shares are issued subject to the maximum of £100 million (including the over-allotment facility) being raised by the Company. Assuming the Merger proceeds but the Offer does not proceed, the maximum number of Consideration Shares to be issued by the Company is 55 million. On this basis, the existing Shares would represent 51.06% of the enlarged issued share capital of the Company. The actual number of Consideration Shares will depend on the relative merger net assets of the Companies calculated in accordance with the Scheme terms. Assuming both the Offer and the Merger proceed, the maximum number of New Shares to be issued by the Company is 205 million. On this basis, the existing Shares would represent 21.87% of the enlarged issued share capital of the Company.</p>

E7	Expenses charged to the investor	<p><b>Merger</b></p> <p>The estimated total Merger costs are £400,000 (including professional fees, UKLA fees, stamp duty, VAT and the costs of winding up F3). The costs of the Merger will be split proportionately between the Companies by reference to their respective Merger net assets (ignoring the Merger costs).</p> <p><b>Offer</b></p> <p>The Company will pay Foresight Group, as promoter to the Offer a fee equal to (i) 2.5% of the amount subscribed by Retail Client Investors and Professional Client Investors and Execution-Only Investors and (ii) 5.5% of the amount subscribed by Direct Investors, in each case reduced by (a) 0.5% of the amount subscribed where the investor is an existing shareholder in any one of the other VCTs managed by Foresight (b) 2.0% of the amount subscribed where the investor's application is received by 12.00 noon on 31 July 2017 and subsequently accepted or 1.0% of the amount subscribed where the investor's application is received after 12.00 noon on 31 July 2017 but before 12.00 noon on 30 November 2017 and subsequently accepted (such dates may be extended by Foresight Group and (c) any other discounts offered by Foresight Group to a particular or group of investors ("Direct Offer Costs"). In consideration of such fee, Foresight Group will meet all of the costs of the Offer other than intermediary commissions and adviser charges.</p> <p>Up-front adviser charges will be facilitated by the Company (up to a maximum of 4.5% of the amount invested), but borne by the investor through the Pricing Formula (as detailed above). Ongoing adviser charges will need to be settled directly by the investor.</p> <p>Initial commission of an amount equal to 3% of the amount invested will be paid by the Company, but also borne by the investor through the Pricing Formula. Initial commission may be waived by an intermediary for the benefit of their client. Trail commission will be paid by the Company of an amount equal to 0.5% per annum of the net asset base of the Shares (subject to a cumulative cap of an amount equal to 3% of the Offer price).</p> <p>Assuming full subscription under the Offer utilising the over-allotment facility and assuming that all successful applicants are Direct Investors (and no Offer discounts apply), the Direct Offer Costs would be a maximum of £5.5 million.</p> <p>For these purposes:</p> <p>'Direct Investor' means an investor who makes an investment in the Company without reference to an intermediary.</p> <p>'Execution-Only Investor' means an investor who invests in the Company pursuant to a transaction which is executed by an FCA authorised firm upon the specific instructions of a client where the firm does not give advice relating to the merits of the transaction or make a personal recommendation.</p> <p>'Professional Client Investor' means an investor who is provided with advice or guidance as to the merits of making an investment in the Company by an independent financial adviser where that adviser classifies the investor as a professional client for the purposes of the FCA rules.</p> <p>'Retail Client Investor' means an investor who applies for Offer Shares through their independent financial intermediary where the independent financial intermediary has classified the investor as a retail client for the purposes of the FCA rules.</p>
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## RISK FACTORS

**Shareholders and prospective Shareholders should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below (such as changes in legal, regulatory or tax requirements) are not the only ones the Company or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under FSMA. References to the Company should be taken as including the Enlarged Company.**

### **Scheme Related Risks**

Completion of the Scheme is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and F3 Shareholders. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company.

If the Merger is not approved and/or effected and the benefits of the Merger not realised, the costs incurred to put forward the Merger proposals to shareholders of the Companies will nonetheless have been incurred and will be split proportionately between the Companies by reference to their respective net assets (ignoring such Merger costs).

### **Offer Related Risks**

The Offer is conditional on Shareholders approval of Resolution 2 to be proposed at the General Meeting. If the resolution is not approved the Offer will be withdrawn.

The price at which Offer Shares will be issued is calculated by a formula linked to the latest published NAV of a Share. The most recently published unaudited NAV for the Company is as at 31 December 2016. Shareholders should be aware that the Company publishes NAVs quarterly and may publish additional NAVs more frequently for the purposes of the Offer. If revised NAVs are published during the course of the Offer, investors may receive a different number of Offer Shares in the Company from that anticipated.

If an authorised intermediary rebates adviser charges back to its clients a tax liability may accrue to the investor. HMRC's position on rebates out of sums paid by investors on subscribing for their shares for the purposes of facilitating adviser charges is that these reduce the base cost for the purposes of assessing capital gains on disposal. Since Qualifying Investors in VCTs are exempt from capital gains tax, this should not have any adverse tax effect. However, if a VCT bought back shares from the investor, the fact that the base cost is reduced could result in a larger income tax liability.

Funds raised through the issue of Offer Shares will need to be invested in accordance with VCT rules and regulations within approximately three years. Failure to do so may result in the Company losing its VCT status and adverse tax consequences for investors.

If Offer Shares are disposed of within five years of the date of issue, investors will be subject to clawback by HMRC of any upfront income tax relief obtained on subscription.

### **Risks Relating to the Shares**

Shareholders may be adversely affected by the performance of the investments, whether acquired from F3 or made by the Company. The performance of the investments acquired from F3, as well as the investments of the Company, may restrict the ability of the Company following the Merger to distribute any capital gains and revenue received on the investments transferred from F3 to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company (including those acquired from F3) will, following the Scheme, be shared amongst all Shareholders pro rata to their number of Shares (including the Consideration Shares) held.

Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from F3, or the investments of the Company, are, or become, unable to meet VCT requirements.

The value of Shares, and the income from them, can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV nor that any dividends will be paid.

Although the existing Shares have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid (which may be partly attributable to the fact that initial subscription tax reliefs are not available for VCT shares bought in the secondary market and because VCT shares usually trade at a discount to NAV). There may not, therefore, be a liquid market and Shareholders may find it difficult to realise their investment. Shareholders should not rely upon any share buyback policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV. An investment in the Company should, therefore, be considered as a long-term investment.

### **Investment Risks**

There is no guarantee that the Company will meet its objectives or that suitable investment opportunities will be identified to enable the Company to meet its objective. The past performance of the Company, F3, and/or other funds managed or advised by Foresight and/or Foresight Group is not an indication of the future performance of the Company. The NAV of the Shares and the return received by Shareholders will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall and Shareholders may not get back the full amount invested. The level and timing of distributions to Shareholders is not guaranteed.

The Finance (No. 2) Act 2015 (as supplemented by subsequent legislation) introduced a number of changes to the VCT rules restricting the investments which can be made by VCTs and the use of the invested funds by investee companies. Companies whose first commercial sale was more than seven years (ten years for knowledge intensive businesses) before receiving an investment are no longer eligible for VCT investment save where they received a State aided investment in their first seven (or, as applicable, ten) years of trading or where the invested amount is greater than 50% of average of the company's turnover for the previous five years and the company is entering a new product or geographical market. To be a qualifying VCT holding, investee companies must employ monies received from a VCT for the purposes of promoting growth and development of their business. The prohibition on employing VCT money on the purchase of shares was also extended to include business acquisitions structured as purchases of assets or goodwill. Non-qualifying investments by VCTs are also now restricted to a narrower range of investment categories intended to facilitate liquidity management. Furthermore, the Finance (No. 2) Act 2015 introduced a lifetime limit on the amount of State aid investment a single company can receive of £12 million (£20 million for 'knowledge intensive' companies). These changes will restrict the pipeline of potential investee companies available to the Company, the structure of those investments and the ability to make follow on investments in certain portfolio companies. They will also affect the profile of the Company's new investments, increasing the focus on earlier stage growth capital deals which have a higher risk profile than older, better established businesses. Some existing investee companies in the portfolios of the Company may be unable to receive further VCT investment or the amount of such follow on investment may be restricted. The Company is likely to face greater competition for a smaller number of available investments going forward as a result of these legislative changes.

Full information for determining the value of the Company's underlying investments may not always be available. Confidential or inside information which might have a bearing on the prospects of a particular investment may exist from time to time but may not yet be in the public domain. In such circumstances an individual valuation may have to be based on historic information not incorporating full disclosure which might otherwise have enabled a more precise valuation

Although the Company may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it will not be in a position fully to protect its interests.

The Company's investments will generally be in companies whose securities are not publicly traded or freely marketed and may, therefore, be difficult, and take considerable time, to realise. There

may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company, which may restrict the Company's ability to obtain maximum value from its investments.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values and their market values can fluctuate and are often also materially affected by general market sentiment, which can be negative for prolonged periods. The success of some investee companies may be based on their ability to develop or sustain a competitive advantage, in markets where there are much larger and better resourced companies or to establish, protect and enforce intellectual property rights.

Investment in unquoted companies (including AIM-traded) by its nature involves a higher degree of risk than investment in companies listed on the Official List. In particular, the viability and financial performance of small companies often depends on a narrow product range, small markets, limited financial resources, a small number of staff and counterparties and may be more susceptible to political, exchange rate, taxation and regulatory changes. In addition, the market for securities in smaller companies may be less regulated and is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Full information for determining their value or the risks to which they are exposed may also not be available and investment returns will, therefore, be uncertain.

Where more than one fund managed or advised by Foresight and/or Foresight Group is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio consideration, such as the portfolio diversity and the need to maintain VCT status. This may mean that the Company may receive a greater or lesser allocation than would otherwise be the case under the normal allocation policy.

Where the Company invests the proceeds of the Offer in companies in which other funds managed or advised by Foresight and/or Foresight Group have invested or are investing, conflicts of interest may arise and the Board will exercise its judgement in managing such conflicts. In such circumstances, Foresight and Foresight Group will apply its conflicts policy in order to reconcile the conflict in the first instance and thereafter, if required, the Board will exercise its independent judgement, so far as they are able, to protect the interests of the Company. It may not, in such circumstances, be possible to fully protect the interests of the Company.

### **VCT Risks**

A Shareholder who disposes of Shares may be subject to clawback by HMRC of any income tax reliefs originally claimed if such shares are sold within five years of issue. For these purposes, the date of issue of the Consideration Shares to F3 Shareholders will be the original date of issue of the F3 Shares in respect of which such Consideration Shares are issued. Any realised losses on the disposal of Shares cannot be used to create an allowable loss for capital gains tax purposes.

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in the shareholders in the Company losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the income tax relief obtained. Furthermore, should the Company lose its VCT status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

The Finance Act 2014 amends the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to Shareholders) from the capital received by the Company from that issue within three years of the end of the accounting period in which shares were issued to Shareholders. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.

If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively, which may affect tax reliefs obtained by Shareholders and the VCT status of the Company.

#### **Other Risks**

Any change of governmental, economic, fiscal, monetary or political policy, and in particular any spending cuts or material increases in interest rates could materially affect, directly or indirectly, the operation of the Company and/or the performance of the Company and the value of and returns from Shares and/or their ability to achieve or maintain VCT status. Furthermore, where the European Commission believes that State aid (such as VCT tax relief) has been provided which is not in accordance with the Risk Finance Guidelines, they may require that the UK Government recovers that State aid. There is currently no mechanism in place for this, but recovery may be from the investee company, the Company or the Shareholders.

There may be adverse consequences as a result of Brexit. There has been much debate on the possible impact on trade between the European Union and the UK following the Brexit vote and how this will impact UK businesses. It is too early to estimate the impact and the Board is not in a position to anticipate what this might be. In addition, many parts of the current VCT legislation have resulted from EU Directives relating to State aid, but the Board does not believe that post Brexit the amending of VCT legislation will be a priority for the UK Government.

## EXPECTED TIMETABLES

### EXPECTED TIMETABLE FOR THE COMPANY

#### Merger with F3 and Special Dividend

Latest time for receipt of forms of proxy for the General Meeting	11.30 a.m. on 12 June 2017
General Meeting	11.30 a.m. on 14 June 2017
Calculation Date	21 June 2017
Effective Date for the transfer of the assets and liabilities of F3 to the Company and the issue of Consideration Shares pursuant to Scheme*	22 June 2017
Announcement of the results of the Scheme	22 June 2017
Admission of and dealings in Consideration Shares issued pursuant to the Scheme to commence	23 June 2017
CREST accounts credited with Consideration Shares issued pursuant to the Scheme	23 June 2017
Special Dividend Record Date**	30 June 2017
Special Dividend Payment Date	17 July 2017
Certificates for Consideration Shares issued pursuant to the Scheme dispatched	17 July 2017

(\* This will, therefore, be the final expected date of trading of the F3 Shares.)

(\*\* The Special Dividend is conditional on the Merger becoming effective.)

#### Offer

Offer opens	19 May 2017
Applications to be received for the Early Bird Discount of 2.0%	12.00 noon on 31 July 2017
Applications to be received for the Early Bird Discount of 1.0%	12.00 noon on 30 November 2017
First allotment of Offer Shares***	end-September 2017
Subsequent allotments of Offer Shares****	monthly
Admission of, and dealings in, Offer Shares to commence	3 business days following allotment
Share certificates and tax certificates to be dispatched	10 business days following allotment
Offer Closes****	12.00 noon on 30 April 2018

(\*\*\* The Offer is not conditional on the Merger or the Tender Offer and will open immediately. However, the first allotment will only occur following completion of the Tender Offer if the Tender Offer proceeds.)

(\*\*\*\* The Board reserves the right to close the Offer earlier than the date stated or extend the Offer but not longer than 12 months following publication of the Prospectus. The Board further reserves the right to accept applications and allot and arrange for listing of Offer Shares as they see fit. Offer Shares will be allotted after the Special Dividend Record Date and will not, therefore, be entitled to the Special Dividend.)

#### Tender Offer\*\*\*\*\*

Tender Offer opens and documents circulated	mid-July 2017
Tender Offer period	minimum 8 weeks
Tender Offer closed and record date	mid-September 2017
Tender Offer price calculation date	3 business days after close
Completion of purchase of Shares under the Tender Offer	10 business days after close

(\*\*\*\*\* The Tender Offer is conditional on the Merger. The above dates are indicative only and the timetable for the Tender Offer will be detailed in the Tender Offer documents when circulated to Shareholders.)

### **EXPECTED TIMETABLE FOR F3\***

Date from which it is advised that dealings in F3 Shares should only be for cash settlement and immediate delivery of documents of title	2 June 2017
Latest time for receipt of forms of proxy for the F3 First General Meeting	11.00 a.m. on 12 June 2017
F3 First General Meeting	11.00 a.m. on 14 June 2017
Latest time for receipt of forms of proxy for the F3 Second General Meeting	11.00 a.m. on 20 June 2017
Calculation Date	21 June 2017
F3 register of members closed and Record Date for F3 Shareholders' entitlements under the Scheme	6.00 p.m. on 21 June 2017
Dealings in F3 Shares suspended	7.30 a.m. on 22 June 2017
F3 Second General Meeting	11.00 a.m. on 22 June 2017
Effective Date for the transfer of the assets and liabilities of F3 to the Company and the issue of Consideration Shares pursuant to the Scheme**	22 June 2017
Announcement of the results of the Scheme	22 June 2017
Cancellation of the F3 Shares' listing	8.00 a.m. on 20 July 2017

(\* F3 Shareholders will, as holders of Consideration Shares following the Merger, be entitled to the Special Dividend and participate in the Tender Offer. F3 Shareholders can separately, should they so wish, participate in the Offer.)

(\*\* See the timetable for the Company with regard to admission, CREST accounts being credited and certificates being dispatched.)

## OFFER STATISTICS AND COSTS

<b>OFFER STATISTICS</b>	
Maximum amount to be raised	£50 million (with an over-allotment facility for a further £50 million)
Investor's minimum investment	£3,000 (and thereafter in multiples of £1,000)

<b>COSTS AND COMMISSIONS*</b>	
<b>Retail Client Investors</b>	
Offer costs**	2.5%
Up-front adviser charges**	Variable
Ongoing adviser charges	Variable
Adviser charges must be agreed between an investor and his or her adviser and paid for by the investor. The payment of up-front adviser charges can be facilitated by the Company. Ongoing adviser charges will need to be settled directly by the investor.	
<b>Professional Client Investors and Execution-Only Investors</b>	
Offer costs**	2.5%
Initial commission to intermediaries**	3.0%
Trail commission to intermediaries***	0.5% per annum
<b>Direct Investors</b>	
Offer costs**	5.5%
* Expressed as a percentage of an investor's subscription (other than trail commission to intermediaries).	
** The Pricing Formula takes into account an investor's up-front costs (i.e. Offer costs, upfront adviser charges and initial commission to intermediaries) in determining a bespoke Offer price for each investor.	
*** Paid, where permissible, to intermediaries by the Company and subject to a cumulative maximum of 3% of the Offer price.	

<b>EXISTING FORESIGHT SHAREHOLDER LOYALTY</b>	
Discount to the Offer costs*	0.5%
* Expressed as a percentage of an investor's subscription.	

<b>EARLY BIRD DISCOUNT</b>	
Discount to the Offer Costs*	2.0% for Applications received by 12.00 noon on 31 July 2017 1.0% for Applications received after 12.00 noon on 31 July 2017 but before 12.00 noon on 30 November 2017
* Expressed as a percentage of an investor's subscription.	

**Please send Application Forms for the Offer to the City Partnership (UK) Limited so as to be received by 12.00 noon on 5 April 2018 for Applications in respect of the 2017/18 tax year and by 12.00 noon on 30 April 2018 for Applications in respect of the 2018/19 tax year.**

## DEFINITIONS

<b>"AIC Guide"</b>	AIC Corporate Governance Guide for Investment Companies
<b>"AIM"</b>	the Alternative Investment Market
<b>"Applicant"</b>	an applicant under the Offer
<b>"Application"</b>	a valid application by an Applicant for Offer Shares pursuant to the Offer
<b>"Application Form"</b>	the application form for the Offer at the end of this document or any revised or additional application form that is published or made available in connection with the Offer
<b>"Articles"</b>	the articles of association of the Company, as amended from time to time
<b>"BDO LLP"</b>	BDO LLP of 55 Baker Street London W1U 7EU, which is authorised and regulated by the FCA and is a UKLA registered sponsor
<b>"Board"</b>	the board of directors of the Company
<b>"Brexit"</b>	the UK's decision in a referendum on 23 June 2016 to leave the EU
<b>"Business Days"</b>	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
<b>"CA 1985"</b>	the Companies Act 1985, as amended
<b>"CA 2006"</b>	the Companies Act 2006, as amended
<b>"Calculation Date"</b>	the date on which the Roll-Over Value and the Merger Value will be calculated, anticipated as being the close of business on 21 June 2017
<b>"Circular"</b>	the circular to Shareholders dated 19 May 2017
<b>"Code"</b>	UK Corporate Governance Code published by the Financial Reporting Council
<b>"Companies"</b>	the Company and F3
<b>"Company"</b>	Foresight 4 VCT plc
<b>"Computershare"</b>	a trading name for Computershare Investor Services PLC
<b>"Consideration Shares"</b>	the Shares with ISIN GB00B07YBS95 to be issued by the Company to F3 Shareholders in accordance with the Scheme (and each a <b>"Consideration Share"</b> )
<b>"CREST"</b>	the computerised settlement system to facilitate the transfer of title to securities in uncertified form operated by Euroclear UK & Ireland Limited
<b>"Direct Investor"</b>	an investor who makes an investment in the Company without reference to an intermediary (together <b>"Direct Investors"</b> )
<b>"Direct Offer Costs"</b>	the costs of the Offer to an investor other than intermediary commissions and adviser charges
<b>"Directors"</b>	the directors of the Company (and each a <b>"Director"</b> )
<b>"Disclosure Guidance &amp; Transparency Rules"</b>	the disclosure guidance and transparency rules of the FCA

<b>“Distributions”</b>	amounts paid by way of dividends, tender offers, share buybacks, proceeds on a sale or liquidation of the Company and any other proceeds or value received, or deemed to be received, by Shareholders in the Company in respect of Shares, excluding any income tax relief on subscription
<b>“Early Bird Discount”</b>	in respect of an Application for the Offer received by 12.00 noon on 31 July 2017, where such Application is accepted, a discount of 2.0% and, in respect of an Application for the Offer received after 12.00 noon on 31 July 2017 but before 12.00 noon on 30 November 2017, where such Application is accepted, a discount of 1.0%, in each case to be applied as set out on page 36 (or such later dates to which Foresight Group may agree to apply such discounts)
<b>“EEA States”</b>	the member states of the European Economic Area
<b>“Effective Date”</b>	the date on which the Scheme will be completed, anticipated as being 22 June 2017
<b>“Enlarged Company”</b>	the Company, following implementation of the Merger
<b>“EU”</b>	the European Union
<b>“Execution-Only Investor”</b>	an investor who invests in the Company pursuant to a transaction which is executed by an FCA authorised firm upon the specific instructions of a client where the firm does not give advice relating to the merits of the transaction or make a personal recommendation (together <b>“Execution-Only Investors”</b> )
<b>“Existing Foresight Shareholder Loyalty Discount”</b>	in respect of an Application for the Offer received from an existing shareholder of any of the Foresight VCTs, a discount of 0.5% to be applied as set out on page 36
<b>“F3 Board”</b>	the board of directors of F3
<b>“F3 Circular”</b>	the circular to F3 Shareholders dated 19 May 2017
<b>“F3 Half-Yearly Report”</b>	the half-yearly report for F3 for the six month period ended 30 September 2016
<b>“F3 First General Meeting”</b>	the general meeting of F3 to be held on 14 June 2017 (or any adjournment thereof)
<b>“F3 Meetings”</b>	the F3 First General Meeting and the F3 Second General Meeting
<b>“F3 Second General Meeting”</b>	the general meeting of F3 to be held on 22 June 2017 (or any adjournment thereof)
<b>“F3 Shareholders”</b>	holders of F3 Shares (and each a <b>“F3 Shareholder”</b> )
<b>“F3 Shares”</b>	ordinary shares of 1p each in the capital of F3 (and each a <b>“F3 Share”</b> )
<b>“F3 Top Up Offer”</b>	the offer for subscription for F3 Shares to raise up to £3.4 million pursuant to an offer document issued by F3 on 22 March 2017
<b>“F3”</b>	Foresight 3 VCT plc, registered in England and Wales under number 03121772, whose registered office is at The Shard, 32 London Bridge Street, London SE1 9SG
<b>“FCA”</b>	the Financial Conduct Authority
<b>“Foresight”</b>	Foresight Group CI Limited, the Companies’ manager which is licensed by the Guernsey Financial Services Commission
<b>“Foresight Fund Managers”</b>	Foresight Fund Managers Limited, which is a subsidiary of Foresight Group

<b>"Foresight Group"</b>	Foresight Group LLP, which is a subsidiary undertaking of Foresight and which is authorised and regulated by the FCA
<b>"Foresight VCTs"</b>	the Company, Foresight VCT plc, Foresight 3 VCT plc and Foresight Solar & Infrastructure VCT plc
<b>"FSMA"</b>	the Financial Services and Markets Act 2000, as amended
<b>"General Meeting"</b>	the general meeting of the Company to be held on 14 June 2017 (or any adjournment thereof)
<b>"Half-Yearly Report"</b>	the half-yearly report for the Company for the six month period ended 30 September 2016
<b>"HMRC"</b>	Her Majesty's Revenue & Customs
<b>"IA 1986"</b>	the Insolvency Act 1986, as amended
<b>"Independent Valuer"</b>	Scott-Moncrieff of Exchange Place, 3 Sempie Street, Edinburgh EH3 8BL
<b>"IPEVC Guidelines"</b>	the International Private Equity and Venture Capital Guidelines
<b>"ITA 2007"</b>	the Income Tax Act 2007, as amended
<b>"Liquidators"</b>	Keith Allan Marshall and Gareth Harris of RSM Restructuring Advisory LLP, Springfield House, 76 Wellington Street, Leeds LS1 2AY, being the proposed liquidators for F3
<b>"Listing Rules"</b>	the listing rules of the UKLA
<b>"London Stock Exchange"</b>	London Stock Exchange PLC
<b>"Merger"</b>	the proposed merger of the Companies to be effected through the Scheme
<b>"Merger Ratio"</b>	the Roll-Over Value divided by the Merger Value rounded down to four decimal places
<b>"Merger Regulations"</b>	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
<b>"Merger Value"</b>	the value of a Share calculated in accordance with the formula set out on page 31 of Part I of this document
<b>"NAV" or "net asset value"</b>	net asset value
<b>"New Shares"</b>	the Consideration Shares and/or the Offer Shares, as applicable (and each a "New Share")
<b>"Offer"</b>	the offer for subscription to raise up to £50 million, with an over-allotment facility for up to a further £50 million, through the issue of Offer Shares as set out in this document
<b>"Offer Shares"</b>	the Shares being offered for subscription pursuant to the Offer (and each an " <b>Offer Share</b> ")
<b>"Official List"</b>	the official list of the UKLA
<b>"Pricing Formula"</b>	the formula to calculate the number of Offer Shares to be issued by the Company in respect of a successful Applicant as set out on page 36 of this document

<b>“Professional Client Investor”</b>	an investor who is provided with advice or guidance as to the merits of making an investment in the Company by an independent financial adviser where that adviser classifies the investor as a professional client for the purposes of the FCA rules (together <b>“Professional Client Investors”</b> )
<b>“Proposed Director”</b>	Raymond Abbott
<b>“Prospectus Rules”</b>	the prospectus rules of the FCA
<b>“Prospectus”</b>	this document
<b>“Qualifying Company”</b>	an unquoted (including an AIM-listed) company which satisfies the requirements of Chapter 4 of Part 6 of ITA 2007
<b>“Qualifying Investment”</b>	an investment in a Qualifying Company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
<b>“Qualifying Investor”</b>	an individual aged 18 or over who is resident in the United Kingdom and who invests in the Companies
<b>“Receiving Agent”</b>	The City Partnership (UK) Limited
<b>“Record Date”</b>	the record date to which entitlements will be allocated pursuant to the Scheme, anticipated as being 21 June 2017
<b>“Registrar”</b>	Computershare Investor Services PLC
<b>“Resolutions”</b>	the resolutions set out in the Circular to be proposed at the General Meeting (and each a <b>“Resolution”</b> )
<b>“Retail Client Investor”</b>	an investor who applies for Offer Shares through their independent financial adviser where the adviser has classified the investor as a retail client for the purposes of the FCA rules (together <b>“Retail Client Investors”</b> )
<b>“Roll-Over Value”</b>	the value of an F3 Share calculated in accordance with the formula set out on page 31 of Part I of this document
<b>“RPI”</b>	the retail prices index as compiled by the Office for National Statistics (or any replacement thereof)
<b>“Scheme”</b>	the proposed merger of the Company and F3 by means of placing F3 into members’ voluntary liquidation pursuant to section 110 of IA 1986 and the acquisition by the Company of all of F3’s assets and liabilities in consideration for Consideration Shares, further details of which are set out in Part I of this document
<b>“Section 593 Report”</b>	A valuation report which will be prepared by the Independent Valuer
<b>“Shareholders”</b>	holders of Shares (and each a <b>“Shareholder”</b> )
<b>“Shares”</b>	ordinary shares of 1p each in the capital of the Company with an International Securities Identification Number: GB00B07YBS95 (and each a <b>“Share”</b> )
<b>“Special Dividend”</b>	the special dividend of 4.0p declared by the Board conditional on the Merger becoming effective and payable to Shareholders on the register of members of the Company at close of business on the Special Dividend Record Date
<b>“Special Dividend Payment Date”</b>	17 July 2017
<b>“Special Dividend Record Date”</b>	30 June 2017

<b>“Statutes”</b>	means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies insofar as it applies (as may be applicable)
<b>“Sterling”</b>	the official name for the standard monetary unit of the UK
<b>“SME”</b>	small and medium-sized enterprises
<b>“TCGA 1992”</b>	the Taxation of Chargeable Gains Act 1992, as amended
<b>“Tender Offer”</b>	the potential tender offer by the Enlarged Company to buy back Shares, details of which are set out in this document
<b>“Total Return”</b>	NAV per Share plus cumulative dividends paid per Share
<b>“Transfer Agreement”</b>	the agreement between the Company and F3 (acting through the Liquidators) for the transfer of all of the assets and liabilities of F3 by the Liquidators to the Company pursuant to the Scheme
<b>“UK”</b>	the United Kingdom
<b>“UKLA” or “UK Listing Authority”</b>	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“VCT Value”</b>	the value of an investment calculated in accordance with section 279 of ITA 2007
<b>“VCT” or “venture capital trust”</b>	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts

## PART I

### MERGER OF THE COMPANY AND F3

#### Introduction

The Board and the F3 Board consider that the interests of the shareholders of the Companies will be better served by a single, larger VCT. The most cost-effective way to achieve this is for the Company to complete a merger with F3 by placing F3 into members' voluntary liquidation and for all of its assets and liabilities to be transferred to the Company in exchange for the issue of Consideration Shares to F3 Shareholders. The Consideration Shares to be issued pursuant to the Scheme are not being offered to the existing Shareholders of the Company or the public save in connection with the Scheme.

#### Background

On 12 September 2016, the Board and the F3 Board announced that they had entered into discussions regarding the merger of the Companies (Merger). In light of comments received by the Board from certain Shareholders around the time of the annual general meeting in September 2016, the Board decided to first seek views from all Shareholders through an online advisory vote.

The results of the advisory vote for both Companies were materially in favour of proceeding with the Merger. 605 Shareholders provided their views with 97% being in favour of progressing the Merger. An equivalent advisory vote was held by F3 with 526 F3 Shareholders responding and 98% being in favour of progressing the Merger.

In addition, the Board has fulfilled its commitment to review the constitution of the Board. I took over as chairman of the Company on 31 March 2017 and Michael Gray was appointed as an additional independent non-executive director on 14 February 2017. Michael is a non-executive director of Triton Investment Management Limited, a member of the advisory board of J-Star, a Japanese Private Equity Group, and a non-executive director of the FTSE 250 listed GCP Infrastructure Investments Limited, an investment fund capitalised at c£900m. Michael is very experienced in financial services and was formerly chairman of Funds for RBS Corporate Bank and regional managing director of Corporate Banking at RBS International bringing further experience and independence to Board considerations.

The Board has continued to consider a number of options and the independent Directors, in particular taking the view of Shareholders from the advisory vote into account, remain of the view that a merger of the Companies remains the preferred option. The purpose of this document is, therefore, to now set out proposals for the Merger for consideration by Shareholders.

The Board and F3 Board believe that the Scheme provides an efficient way of merging the Companies with a lower level of costs than other merger routes. The Company was selected as the acquirer due to its larger size; if F3 had been the acquirer there would be greater stamp duty costs. As both Companies have the same investment objective and policy, the same investment manager and other common advisers and common investments, the Merger should be achievable without major additional cost or disruption to the Companies' portfolio of investments.

The Merger is expected to complete on 22 June 2017 and will be effected by way of a scheme of reconstruction (Scheme) pursuant to which the F3 will be placed into members' voluntary liquidation and all of the assets and liabilities transferred to the Company in exchange for new Shares in the Company on a relative net assets basis. The Merger is expected to deliver cost savings and other benefits to both sets of shareholders which the Board believes is in line with the strategy to expand the size of the Company and be better positioned to improve Shareholder value.

The Board also believes that there will be other benefits for Shareholders arising from participating in a larger company with an increased net asset base, including the ability to sustain a significantly wider spread of investments which will facilitate better risk management and a reduced need to maintain liquid assets allowing the Company to consider making additional returns to Shareholders. As a result, the Board has declared the Special Dividend and confirmed its intention to make the Tender Offer, in each case conditional on the Merger becoming effective.

The Merger is conditional upon, inter alia, the approval of Shareholders at the General Meeting. The Merger is not, however, conditional on the Offer.

## **The Merger**

### ***Benefits and features***

The Board reviews the costs of managing the Company on a regular basis. Some costs are necessarily incurred by every VCT and cannot easily be reduced. For instance, VCTs are required to be listed on a recognised exchange, such as the premium segment of the Official List, which involves a considerable level of costs associated with the listing as well as related fees to ensure compliance with all relevant legislation and regulations. Some costs are linked to net assets and others are fixed or have a fixed element. A larger company is able to spread the fixed elements of running costs across a wider asset base and, as a result, can reduce these costs as a percentage of net assets.

The Merger Regulations allow VCTs to be acquired by, or to merge with each other, without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have taken advantage of these regulations to create larger VCTs for economic and administrative efficiencies. Whilst cost and administrative efficiencies are an important element, there are also wider operational benefits such as being able to further diversify the portfolio, facilitate increasing returns to shareholders and make a VCT more economically viable as an evergreen fund for investors.

In recommending the Merger, the principal benefits and features that the Board and F3 Board have taken into account are set out below:

- An enlarged entity with assets immediately post Merger of approximately £72.78 million taking into account the Special Dividend (£115.03 million assuming full subscription under the Offer, but ignoring the over-allotment facility, and taking into account the Tender Offer).
- A portfolio of over 25 companies, many of which are making good progress and are profitable and which have delivered the recent improvements in NAV of both the Company and F3.
- A payback period of under 12 months based on the estimated Merger costs and annual cost savings post Merger.
- A reduction in the aggregate number of directors.
- A reduction in Foresight's annual investment management fee from 2.25% of net assets to 2% of net assets.
- A reduction in the annual expenses cap from 3.5% of net assets to 2.95% of net assets.
- An enlarged entity better positioned to raise further funds and continue with the current investment strategy.
- The ability to consider investment realisations and create liquidity events for Shareholders and support dividend payments.

The reduction in Foresight's annual investment management fee from an amount equal to 2.25% of net assets to 2% of net assets will reduce its fee by approximately £182,000 per annum across the Companies. As the Foresight annual administration fees for the Enlarged Company will remain the same as currently for the Company, this will result in a further reduction of £129,000 per annum in its fees. Foresight will also make an additional cash contribution to the Merger costs of £100,000 as explained below. This will effectively enable the Merger to take place entirely at Foresight's expense within one year as the total Foresight annual cost savings and the additional contribution of approximately £411,000 are expected to be greater than the estimated Merger costs of £400,000.

The Merger is expected to create an enlarged VCT with enough critical mass which should generate sufficient income and realisations to meet an attractive dividend target, as well as maintaining a regular programme of buybacks. In addition, based on the above, the Enlarged Company is expected to be more attractive to potential investors and enjoy an enhanced ability to achieve future capital raisings.

### ***Merger costs and cost savings***

The estimated total Merger costs are £400,000 (including professional fees, UKLA fees, stamp duty, VAT and the costs of winding up F3). The costs of the Merger will be split proportionately between the Companies by reference to their respective Merger net assets (ignoring the Merger costs).

The projected annual running costs (these being normal expenses and ignoring exceptional items, performance incentive fees and trail commission) of the Enlarged Company are estimated to be £2.04 million (2.80% of the expected net assets of the Enlarged Company of £72.78 million immediately post

Merger and taking into account the Special Dividend, but ignoring the Offer and the Tender Offer). This compares to £2.52 million in aggregate for the Companies (3.4% of their aggregate unaudited net assets as at 31 December 2016) based on the unaudited annual running costs for the 12 month period ended 31 December 2016 for each of the Companies.

In addition, the annual running costs expenses cap for the Enlarged Company will be reduced to 2.95% of total net assets per annum (any excess over the expenses cap being borne by Foresight). This represents a reduction on the current cap of 3.5% applicable to both Companies. Whilst the Companies' running costs are currently below each of their respective annual expenses cap level, the Board believes that the reduced cap for the Enlarged Company should provide comfort for Shareholders in respect of the level of future costs.

Foresight will also make a cost contribution of £100,000 towards the Merger costs through a one-off reduction in its management and administration fees for the Enlarged Company following completion of the Merger. Foresight has agreed to make this contribution even if the Merger does not proceed to completion, in which case the contribution will be apportioned between the Companies on a pro rata to net assets basis.

On the basis of the expected annual cost savings of approximately £480,000 and the Foresight contribution of £100,000, the expected Merger costs of the Merger would be recovered in just over eight months.

### **The Board**

The Board currently now has three non-executive directors; Simon Jamieson, Peter Dicks and Michael Gray. If the Merger proceeds, Peter Dicks will step down as a director of the Company and Raymond Abbott (chairman of F3) will be appointed as a new director of the Company. Raymond Abbott will also, on Merger, take over as chairman of the Company. The Board and the F3 Board believe the proposed constitution achieves the ideal number of directors and a balance of ongoing directors from both Companies reflecting the relative size of each Company. The constitution of the Board of the Enlarged Company will be kept under review and consideration will be given to the appointment of an additional new director to reflect the size of the Company.

If the Merger does not proceed, Peter Dicks intends to step down as a director at the annual general meeting to be held in 2017 and the Board will, under these circumstances, seek the appointment of a new director to coincide with Peter's departure.

### **The Scheme**

The mechanism by which the Merger will be completed is as follows:

- F3 will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under section 110 of IA 1986; and
- all of the assets and liabilities of F3 will be transferred to the Company in consideration for the issue of Consideration Shares (which will be issued directly to F3 Shareholders).

The Merger will be effected on a relative net asset basis adjusted for the costs of the Merger. Shareholders should note that the Merger by way of the Scheme will be outside the provisions of the City Code on Takeover and Mergers. The Scheme is conditional upon the approval of shareholders of both the Company and F3 of resolutions to be proposed at the General Meeting and the F3 Meetings, as well as the other conditions set out below.

As both companies have the same investment objective and policy, the same investment manager and other common advisers and common investments, the Merger should be achievable without major additional cost or disruption to the Companies' portfolio of investments

As required by section 593 CA 2006, prior to the allotment of the Consideration Shares, the Company will be posting to F3 Shareholders and uploading on to the Company's website a valuation report which will be prepared by the Independent Valuer (section 593 Report). The section 593 Report will confirm to the Company that the value of F3's assets and liabilities which are being transferred to the Company as part of the Merger is not less than the aggregate amount treated as being paid up on the Consideration Shares being issued to F3 Shareholders pursuant to the Scheme.

The portfolio of assets which will be transferred to the Company by F3 as part of the Scheme are all considered to be in line with the Company's investment policy. The extent of the liabilities (if any)

which will be transferred to the Company by F3 as part of the Scheme will be those which are incurred in the ordinary course of business, together with the Merger costs (which remain unpaid at the time of transfer). Any such liabilities are expected to be nominal in comparison to the value of the assets being acquired.

The Scheme is conditional upon:

- the passing of Resolution 1 to be proposed at the General Meeting;
- the passing of each of the resolutions to be proposed at the F3 Meetings;
- notice of dissent not having been received from F3 Shareholders holding more than 10% in nominal value of F3's issued share capital under section 111 of IA 1986 (this condition may be waived by the F3 Board);
- the Company confirming to F3 and F3 confirming to the Company that, in each case, it has not received any notice of any claims, proceedings or actions of whatever nature threatened or commenced, as relevant, against F3 which the Board regard as material or against the Company which the F3 Board regard as material; and
- F3 and the Company maintaining VCT status.

If the conditions set out above have not been satisfied by 31 July 2017, the Scheme shall not become effective and the Company will continue in its current form.

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of F3 to be proposed at the F3 Second General Meeting. If it becomes effective, the Scheme shall be binding on all Shareholders and F3 Shareholders and all persons claiming through or under them.

Following the transfer of the assets and liabilities by F3 to the Company, the listing of the F3 Shares will be cancelled and F3 will be wound up.

### ***Special Dividend***

As mentioned above, a larger VCT would provide the ability to consider realisations and the creation of liquidity events for Shareholders. The Board and the F3 Board have discussed the expected position of the Enlarged Company and believe that the Merger would reduce the need to retain certain investments and liquid assets. The Board has, therefore, declared a special dividend of 4.0p per Share conditional on the Merger becoming effective and payable to Shareholders on the register on 30 June 2017 (this being after the date on which the Consideration Shares are expected to be issued pursuant to the Merger). The Special Dividend, if it becomes payable, will be paid on 17 July 2017.

### ***Tender Offer***

Alongside the Special Dividend, the Board and F3 Board believe that the Enlarged Company should be in the position to provide a partial or full exit event for shareholders by way of a tender offer of up to an aggregate value of £5 million (representing approximately 7.0% of the expected net assets of the Enlarged Company following payment of the Special Dividend but ignoring the Offer). The Tender Offer will only be made if the Merger becomes effective, the Company has the ability to implement the Tender Offer and the Board continues to believe it to be in the best interests of the Company.

A summary of the expected terms of the Tender Offer are set out below (subject to further consideration and agreement by the Board):

- Tender Offer period - mid-July 2017 to mid-September 2017.
- Tender Offer price - NAV per Share less 7.5% (to take into account the costs of making the Tender Offer and what the Board believe to be an appropriate discount).
- Availability - all Shareholders (other than certain overseas Shareholders)
- Tender Offer record date - occurring after the Merger and the payment of the Special Dividend, but before the first allotment of Offer Shares.
- Shares will be purchased on-market through the Company's broker, Panmure Gordon (UK) Limited.

Shares purchased by the Company under the Tender Offer will be cancelled and not re-issued.

The actual number of Shares to be purchased will depend on the level of take-up and on the NAV per Share at the time of implementation of the Tender Offer. For illustrative purposes only, based on a NAV per Share of 69.2p (this being the example Merger Value per Share of 73.20p (as set out on page 32)), reduced by the Special Dividend, which would give a Tender Offer price of 64.01p, the maximum number of Shares which would be purchased is approximately 7.8 million if fully subscribed.

Details of the Tender Offer (including application forms for participation) will be provided to Shareholders in separate documentation following the Merger in mid-July 2017. Shareholders will need to carefully consider their tax position before participating in the Tender Offer. In particular, participation in the Tender Offer may restrict the ability to claim VCT tax reliefs in respect of Offer Shares subscribed under the Offer or the recent F3 Top-up Offer.

The timing of the purchase of Shares under the Tender Offer will be set so as to be after the expiry of the five year holding period required to maintain up-front VCT tax reliefs in respect of Shares that were issued under the enhanced buy-back scheme offered by the Company in 2012. Shareholders who participated in the 2012 enhanced buy-back scheme will, therefore, be able to participate without prejudicing up-front VCT tax reliefs received. The Board will consider making further tender offers available in which Shareholders who participated in the enhanced buy-back scheme offered by the Company in 2013 can participate without prejudicing up-front VCT tax reliefs they received.

To avoid having to convene an additional general meeting following the Merger, the Board proposes to take Shareholder authority for the Company to purchase up to 8.5 million of its own shares for the purposes of the Tender Offer at the General Meeting.

### **Terms of the Scheme**

On the Calculation Date, Foresight Fund Managers (on the instruction of each of the Company and F3) shall calculate the Merger Values in accordance with the formulae set out below.

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of F3 and shall deliver to the Company:

- particulars of all of the assets and liabilities of F3;
- a list certified by the registrars of the names and addresses of, and the number of F3 Shares held by, each of the F3 Shareholders on the register at 6.00 p.m. on the Record Date;
- an estimate of the winding-up costs of F3; and
- the amount estimated to be required to purchase the holdings of any dissenting F3 Shareholders (if any).

On the Effective Date, the Company and the Liquidators (on behalf of F3) will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of F3 to the Company in exchange for the issue of Consideration Shares (credited as fully paid up) to the F3 Shareholders on the basis set out below.

In further consideration of such transfer of assets and liabilities of F3 to the Company, the Company will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of F3 and the purchase for cash of any holdings of dissenting F3 Shareholders.

### *Merger Calculations*

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Roll-Over Value, the Merger Value and the number of Consideration Shares to be issued, the following provisions will apply:

### *F3 Roll-Over Value*

The Roll-Over Value will be calculated as:

$$\frac{A - (B + C)}{D}$$

where:

- A = the unaudited net assets of F3 as at the Calculation Date, calculated in accordance with the F3's normal accounting policies and taken from the unaudited management information of the F3 to that date (including any adjustment that the F3 Board and the Board (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of F3 as at the Calculation Date);
- B = F3's pro rata proportion (by reference to the relative aggregate Roll-Over Value of all the F3 Shares and the aggregate Merger Value of all Shares, but ignoring Merger costs), of the costs of the Merger plus £10,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to F3 incurred by the Company, which will indemnify the Liquidators in respect of all of the costs of F3 following the transfer on the Effective Date);
- C = the amount estimated to be required to purchase the holdings of F3 Shares from dissenting F3 Shareholders (if any); and
- D = the number of F3 Shares in issue as at close of business on the Record Date (save for any F3 Shares held by dissenting F3 Shareholders).

### *The Company Merger Value*

The Merger Value will be calculated as follows:

$$\frac{E - F}{G}$$

where:

- E = the unaudited net assets of the Company as at the Calculation Date, calculated in accordance with the Company's normal accounting policies and taken from the unaudited management information of the Company to that date (including any adjustment that the Board and the F3 Board (acting jointly) consider appropriate to reflect any other actual or contingent benefit or liability of the Company);
- F = the Company's pro rata proportion (by reference to the relative aggregate Roll-Over Value of all the F3 Shares and the aggregate Merger Value of all Shares, but ignoring Merger costs) of the costs of the Merger; and
- G = the number of Shares (ignoring any Shares held in treasury) in issue as at close of business on the Record Date.

### *Consideration Shares to be issued to F3 Shareholders*

The number of Consideration Shares to be issued to F3 Shareholders (save for any dissenting F3 Shareholders) will be calculated as follows:

$$\frac{H}{I} \times J$$

where:

- H = F3 Roll-Over Value;
- I = the Company Merger Value; and
- J = the number of F3 Shares in issue as at close of business on the Record Date (save for any F3 Shares held by dissenting F3 Shareholders).

The number of Consideration Shares to be issued pursuant to the Scheme will not be greater than 55 million and will be issued on the instruction of the Liquidators directly to F3 Shareholders pro rata to their existing holdings (disregarding F3 Shares held by dissenting F3 Shareholders) by applying the Merger Ratio to F3 Shareholders' holdings. 55 million Consideration Shares is considered by the Board to be sufficient to cover the potential number of Consideration Shares required to be issued to F3 Shareholders on the Effective Date and includes an element of contingency should the Companies' respective NAVs change. As set out below, had the merger been completed on 31 December 2016, approximately 47.79 million Consideration Shares would have been issued.

The Merger Ratio will be rounded down to four decimal places and entitlements will be rounded down to the nearest whole number. Any fractional entitlements in respect of each holding (which, in each case, will not exceed £1) will be sold and the proceeds retained for the benefit of the Enlarged Company.

### ***Dissenting F3 Shareholders***

An F3 Shareholder who does not vote in favour of the resolution to be proposed at the F3 First General Meeting and expresses his or her dissent to the Liquidator in writing at the registered office of F3 within seven days of the passing of the resolution may require the Liquidators either to abstain from carrying into effect the resolution or to purchase their F3 Shares at a price to be determined by agreement between the Liquidators and the F3 Shareholder concerned (or otherwise through arbitration).

It is anticipated that the Liquidators will offer to purchase the holdings of dissenting F3 Shareholders at the break value price of an F3 Share, this being an estimate of the amount a holder of such shares would receive in an ordinary winding-up of F3 if all of the assets of F3 had to be realised. The break value of F3 Shares is expected to be significantly below the unaudited net asset value of such shares due to the nature of the underlying assets.

F3 Shareholders should note the taxation consequences of dissenting and disposing of their F3 Shares detailed below.

### ***Share Certificates, Mandates and Listing***

Where F3 Shareholders hold their F3 Shares in certificated form, they will receive a new certificate for the Consideration Shares issued and where F3 Shareholders hold their F3 Shares in uncertificated form, their CREST accounts will be credited with the new holding in Consideration Shares.

Dividend payment mandates provided for F3 Shares will, unless an F3 Shareholder advises otherwise in writing to Computershare Investor Services PLC, be transferred to the Company.

An application has been made to the UKLA for the Consideration Shares to be listed on the premium segment of the Official List and will be made to the London Stock Exchange for such Consideration Shares to be admitted to trading on its market for listed securities. The Consideration Shares will rank pari passu with the existing issued Shares from the date of issue.

### ***Scheme Illustration***

As at 31 December 2016 (but adjusting for the F3 Top Up Offer), F3 would have had 55,090,731 F3 Shares in issue and unaudited net assets and an unaudited NAV per F3 Share of £35,170,254 and 63.9p respectively (taken from F3's unaudited management information to that date and adjusted for the F3 Top Up Offer). The Roll-Over Value of an F3 Share (had the Merger been completed on that date and calculated in accordance with the above) would have been 63.49p (assuming no dissenting F3 Shareholders).

As at 31 December 2016, the Company had 57,375,499 Shares in issue and unaudited net assets and an unaudited NAV per Share of £42,215,921 and 73.6p respectively (taken from the Company's unaudited management information to that date). The Merger Value of a Share (had the Merger been completed on that date and calculated in accordance with the above) would have been 73.20p.

The number of Consideration Shares that would have been issued to F3 Shareholders (had the Merger been completed on 31 December 2016 (but adjusting for the F3 Top Up Offer) and calculated in accordance with the above is 47,786,098 (0.8674 Consideration Shares for every F3 Share held). The Consideration Shares would, on this basis, have represented approximately 45.4% of the Enlarged Company. The Consideration Shares would have been issued to all F3 Shareholders pro rata to their holdings in F3 (assuming no dissenting F3 Shareholders).

## **Taxation Summary**

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, Consideration Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

### ***The Company and its Shareholders***

The implementation of the Scheme should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription for existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

Although the Company will be required to pay UK stamp duty or stamp duty reserve tax on the transfer to it of the assets and liabilities of F3 (which form part of the merger costs being allocated to both the Company and F3), no UK stamp duty or stamp duty reserve tax will be payable by F3 Shareholders as a result of the implementation of the Scheme.

### ***F3 Shareholders***

The effective exchange of existing F3 Shares for Consideration Shares should not constitute a disposal of the existing F3 Shares for the purposes of UK taxation. Instead, the new holding of Consideration Shares should be treated as having been acquired at the same time and at the same cost as the existing F3 Shares from which they are derived. Any initial income tax relief obtained on subscription of the existing Shares in the Company should not, therefore, be subject to clawback, but will be transferred to the Consideration Shares.

For F3 Shareholders holding (together with their associates) more than 5% of the F3 Shares in issue, clearance has been obtained from HMRC in terms of section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5% of the F3 Shares should also apply to them.

Shareholders in the Company, as a VCT, should be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Consideration Shares.

Dissenting F3 Shareholders whose holdings are purchased by the Liquidator shall be treated as having disposed of their existing F3 Shares and will be subject to clawback of any up-front income tax relief received on the original subscription if the F3 Shares have not been held for the requisite holding period to maintain such relief. Any previous deferred capital gains on original subscription will also become chargeable to capital gains tax. F3 should still at that time retain the benefit of VCT status and the dissenting F3 Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal.

### **Clearances**

Clearance has been obtained from HMRC in respect of the Scheme under section 701 of ITA 2007 and section 138 of TCGA 1992. With regard to the former, the receipt of Consideration Shares should not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation. Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by F3 Shareholders of Consideration Shares should not prejudice tax reliefs obtained by F3 Shareholders on existing F3 Shares and should not be regarded as a disposal.

## **PART II**

### **THE OFFER**

#### **Reasons for the Offer**

The Board has decided to take the opportunity to raise further funds through an offer for subscription. This will provide Shareholders and new investors with the opportunity to invest in the Company and benefit from the tax reliefs available to Qualifying Investors.

The Board believes that there are attractive opportunities to make further growth investments in order to generate returns for investors as Foresight Group continues to experience strong deal flow and is seeing a significant number of high quality private equity investment opportunities. Funds raised under the Offer will allow the Company to take advantage of the continuing flow of investment opportunities being received by Foresight Group and further increase the net assets of the Company and portfolio diversification in line with the ongoing strategy of the Company. Funds raised will also be used to fund payment of dividends and market purchases of Shares and to meet annual running costs.

The Offer is conditional upon, inter alia, the approval of Shareholders at the General Meeting. The Offer is not, however, conditional on the Merger. The Directors and the Proposed Director intend to subscribe for, in aggregate, £65,000 under the Offer.

#### **Offer Availability**

The Company is seeking to raise up to £50 million (with an over-allotment facility of up to £50 million) through the issue of up to 150 million Offer Shares pursuant to the Offer. If the Board decides (in consultation with Foresight Group) to increase the Offer by the over-allotment facility, this will be advised by way of a Regulatory Information Service announcement.

The Offer opens on 19 May 2017 and will close (unless fully subscribed earlier or otherwise at the discretion of the Board) at 12.00 noon on 30 April 2018. The Offer will not be extended to a date later than 12 months following publication of the Prospectus. Allotments of Offer Shares will only be made following completion of the Tender Offer, assuming this goes ahead, so as to minimise the risk of Shareholders buying and selling Shares within six months of each other and not being eligible for VCT tax reliefs in respect of the Offer Shares acquired.

Applicants must subscribe a minimum in aggregate of £3,000 and thereafter in multiples of £1,000. The Offer is not underwritten. The full terms and conditions of the Offers can be found at the end of this document. Applications will be accepted on a first come, first served basis (subject always to the Board's discretion). The Offer Shares will be issued in certificated form (unless otherwise agreed by the Company), however, can be subsequently transferred into CREST by an investor.

#### **Offer Price**

The price at which the Offer Shares will be issued to an investor is determined by the Pricing Formula (as detailed below). The Pricing Formula takes into account the up-front costs applicable to the relevant type of investor to generate a bespoke Offer price for each investor. The use of the Pricing Formula allows all investors to be treated equally in respect of their investment net of their particular costs incurred.

In addition, all up-front costs are paid post investment allowing a Qualifying Investor to obtain VCT tax reliefs in respect of the full amount of his or her investment.

#### **Costs of the Offer**

The Company will pay Foresight Group, as promoter to the Offer a fee equal to (i) 2.5% of the amount subscribed by Retail Client Investors, Professional Client Investors and Execution-Only Investors and (ii) 5.5% of the amount subscribed by Direct Investors (Direct Offer Costs). In respect of each investor, Foresight Group's fees will be reduced by the Existing Foresight Shareholder Loyalty Discount and the Early Bird Discount (as referred to below), and any other discount Foresight Group may agree to offer any particular or group of investors, applicable to that investor (i.e. the Direct Offer Costs applicable to the investor are reduced). In consideration of such fee, Foresight Group will meet all of the costs of the Offer other than intermediary commissions and adviser charges. The relevant amount of Direct Offer Costs will be borne by the investor through the Pricing Formula.

Up-front adviser charges will be facilitated by the Company, but borne by the investor through the Pricing Formula. Ongoing adviser charges will need to be settled directly by the investor.

Initial commission will be paid by the Company, but also borne by the investor through the Pricing Formula. Trail commission will be paid by the Company.

Assuming full subscription under the Offer utilising the over-allotment facility and assuming that all successful Applicants are Direct Investors (who are not entitled to the Existing Foresight Shareholder Loyalty Discount, an Early Bird Discount or any other discount), the Direct Offer Costs would be £5.5 million and the net proceeds would be £94.5 million. It is likely that the net proceeds will be greater as it is anticipated that the majority of the investors will be Retail Client Investors and Professional Client Investors and Execution-Only Investors where the aggregate of up-front costs is expected to be lower than the up-front costs for just Direct Investors (due to intermediaries waiving some or all of their initial commission and up-front adviser charges being on average no more than 3%) and a number of investors are likely to be entitled to the Existing Foresight Shareholder Loyalty Discount.

By taking into account any investor up-front Offer costs through the Pricing Formula, a bespoke Offer price is generated for each investor. This results in the investor's shareholding being reduced by an amount equal to his or her relevant up-front Offer costs.

### Retail Client Investors

Direct Offer Costs*	2.5%	Adviser charges must be agreed between an investor and his or her adviser and paid for by the investor. Up-front adviser charges will be facilitated. Ongoing adviser charges will need to be settled directly by the investor.
Up-front adviser charges*	Variable - can be facilitated	
Ongoing adviser charges*	Variable - payable by investor	

\* Expressed as a percentage of an investor's subscription.

In December 2012, the rules on payment of commission to intermediaries changed to prevent commissions being paid to a financial adviser making a personal recommendation to Retail Client Investors (investors who classify themselves as retail clients under the FCA rules).

Instead of commission being determined by a product provider, fees for advice must be agreed between the client and his or her financial adviser and paid by the client. A product provider can, however, facilitate the payment. The Company will facilitate up-front adviser charges (in whole or part) to the extent an investor requests this from a payment made to the investor. The maximum amount that will be facilitated is an amount equal to 4.5% of the investment (this should not be taken as a recommendation or guide as to the level of appropriate up-front adviser charges). The payment will be made from the Company's share premium account (or reserves created therefrom) attributable to Shares issued prior to 6 April 2014.

Up-front adviser charges will be facilitated by the Company, but borne by the investor through the Pricing Formula. Ongoing adviser charges will need to be settled directly by the investor.

### Professional Client Investors and Execution-Only Investors

Direct Offer Costs*	2.5%	Annual trail commission is calculated as a percentage of the net asset base value at the end of each financial year and is subject to a cumulative trail commission cap of 3.0% of the Offer price.
Initial commission to intermediaries*	3.0%	
Trail commission to intermediaries	0.5% per annum	

\* Expressed as a percentage of an investor's subscription.

Initial commission will be paid by the Company, but borne by the investor through the Pricing Formula. Trail commission will be paid by the Company. Initial commission may be waived (in whole or part) by an intermediary for the benefit of his client. This will reduce the amount of initial commission taken into account in the Pricing Formula reducing the Offer price for the investor thereby increasing the number of Offer Shares he or she receives.

The payment of trail commission is subject to the intermediary's client continuing to hold their Offer Shares and only to the point that the client does not later receive advice from the intermediary. Trail commission is paid by the Company.

In respect of existing trail commission arrangements to intermediaries, such payments will continue (to the extent permitted under legislation and regulations), but not if subsequent financial advice in respect of the holding is given. As a result, should a Shareholder who decides to seek financial advice from their existing execution-only intermediary in respect of participating in the Offer, any trail commission which is currently being paid to that intermediary pursuant to an existing holding in the Company must cease and Foresight Group and/or the Company should be notified accordingly.

### Direct Investors

Direct Offer Costs*	5.5%	Investment without intermediary involvement.
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\* Expressed as a percentage of an investor's subscription.

### Existing Foresight Shareholder Loyalty

Existing shareholders in any of the Foresight VCTs will be entitled to a loyalty discount of 0.5%. The Existing Foresight Shareholder Loyalty Discount will be applied by reducing the Direct Offer Costs to be applied in relation to an investor's subscription and is effectively a reduction in Foresight Group's promotion fee.

### Early Bird Discount

Applications received by 12.00 noon on 31 July 2017 will, if accepted, be entitled to a discount of 2.0%. Applications received after 12.00 noon on 31 July 2017 but before 12.00 noon on 30 November 2017 will, if accepted, be entitled to a discount of 1.0%. Foresight Group reserves the right to extend the dates to which the Early Bird Discount applies. The Early Bird Discount will also be applied by reducing the Direct Offer Costs to be applied in relation to an investor's subscription and again is effectively a reduction in Foresight Group's promotion fee.

### Pricing Formula

Investors are invited to subscribe for an amount in pounds sterling rather than apply for a particular number of Offer Shares. The number of Offer Shares to be allotted to a successful Applicant is determined by dividing the investment amount by the Offer price derived from the Pricing Formula below:

$$\text{Offer price} = \text{NAV} \div X$$

where:

NAV is the most recently published NAV per Share on the day of the allotment, adjusted for dividends declared and for which the record date for payment has passed at the time of allotment; and

$X = 1 - \text{Total Net Fees}$

Total Net Fees means, as applicable, the Direct Offer Costs and any initial commission or up-front adviser charge for the relevant investor, expressed as a percentage of the amount subscribed (i.e. if the adviser charge was an amount equal to 2% of the amount subscribed and the investor was an existing shareholder in one of the Foresight VCTs entitled to the Existing Foresight Shareholder Loyalty Discount, Total Net Fees would be 0.040 and X would be 0.960).

Potential investors should note that the NAV per Share may rise or fall during the Offer period.

The number of Offer Shares to be allotted by the Company will be rounded down to the nearest whole number and fractions of Offer Shares will not be allotted.

The Company will announce the number of Offer Shares issued and the range of Offer prices by way of a Regulatory Information Service announcement following each allotment.

### Use of Proceeds

The net proceeds of the Offer will be pooled with the existing cash resources of the Company and utilised as follows:

- To make new and follow-on investments in accordance with its investment policy.
- To fund payment of dividends and market purchases of Shares (subject to having unrestricted (for VCT legislation purposes) distributable reserves).
- To meet annual running costs.

## PART III

### INFORMATION ON THE COMPANY

#### Constitution and Status

The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 3 February 1998, with registered number 03506579 and the name Advent 2 VCT plc. The Company changed its name to Foresight 4 VCT plc on 4 August 2004. The Company operates under CA 2006 and the regulations made thereunder. The Company's Shares are listed on the premium segment of the Official List.

VCTs are required to manage their affairs to obtain and maintain approval as a VCT under the provisions of Chapter 3 of Part 6 of ITA 2007. HMRC has granted approval of the Company as a VCT under section 259 of ITA 2007. The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full approval.

The Company is not authorised by the FCA or an equivalent European Economic Area regulator. However the Company is an alternative investment fund for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU), has registered itself as a small alternative investment fund manager with the FCA and is subject to the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773).

#### Share Capital

The share capital of the Company comprises ordinary shares of 1p each of which 57,375,499 were in issue as at 18 May 2017 (this being the latest practicable date prior to publication of this document). No Shares were held in treasury as at 18 May 2017.

#### Selected Financial Information

Certain selected financial information is set out below:

	Audited year ended 31 March (£'000)			Unaudited six month period to 30 September (£'000)	
	2016	2015	2014	2016	2015
Investment income and deposit interest	2,570	1,147	826	316	102
Total profit/(loss) on ordinary activities before taxation	(5,550)	7,272	(4,357)	1,337	(4,231)
<b>Net assets</b>					
ordinary shares (Shares)	40,365	32,139	33,456	41,678	44,162
former C shares*	-	20,704	12,349	-	-
<b>NAV per share (p)</b>					
ordinary shares (Shares)	70.4	83.9	86.7	72.6	76.6
former C shares*	-	110.8	66.1	-	-
<b>Dividends paid per share (p)</b>					
ordinary shares (Shares)	4.0	-	4.0	-	-
former C shares	25.0	-	-	-	25.0

\* The C shares merged with the Shares in 2015 on a conversion ratio of 1.022646 Shares for every C share.

## **The Board of Directors**

The Board sets the Company's policies and objectives and ensures that its obligations to the Shareholders are met. The Board has overall responsibility for the Company's affairs, including approving valuations (prepared by Foresight Group) and NAVs (calculated by Foresight Group) which are published quarterly or more often if required. Its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investing in small companies.

The Board has three non-executive directors; Simon Jamieson, Peter Dicks and Michael Gray. If the Merger proceeds, Peter Dicks will step down as a director of the Company and Raymond Abbott (chairman) will be appointed as a new director of the Company. Raymond Abbott will also, on Merger, take over as chairman of the Company. The Board and the F3 Board believe the proposed constitution achieves the ideal number of directors and a balance of ongoing directors from both Companies reflecting the relative size of each Company. The constitution of the Board of the Enlarged Company will be kept under review and consideration will be given to the appointment of an additional new director to reflect the size of the Company.

If the Merger does not proceed, Peter Dicks intends to step down as a director at the annual general meeting to be held in 2017 and the Board will, under these circumstances, seek the appointment of a new director to coincide with Peter's departure.

## **Directors**

### ***Simon Jamieson (Chairman)***

Simon spent 28 years at Robert Fleming Holdings and subsequently at Fleming Family and Partners where he focused on private equity investing. In 1983 he joined Glenwood Management, a Californian based venture capital fund, and subsequently joined Robert Fleming in 1985 on the fund management side. In 2000 he joined Fleming Family and Partners Asset Management Limited where he was responsible for \$500 million of private equity investments, including both fund investments and directly held co investments. Since leaving FF&P in 2013, Simon chairs an investment committee of a U.S. family office and co-chairs an investment committee of an African focused private equity manager, 54 Capital.

### ***Peter Frederick Dicks***

Peter was a founder director of Abingworth plc a successful venture capital company in 1973. He is currently a director of a number of quoted and unquoted companies, including MITON UK MicroCap Trust plc, Investor plc and Unicorn AIM VCT plc where he is chairman, Mears Group plc and ICG Enterprise Trust plc. In addition, he has been a director of Foresight VCT plc and Foresight Solar Fund Limited since their respective launches in 1997 and 2013 and has been a director of Foresight 3 VCT plc and Foresight 4 VCT plc since July 2004.

### ***Michael Gray***

Michael is a non-executive director of Triton Investment Management Limited, a member of the advisory board of J-Star, a Japanese Private Equity Group, and a non-executive director (and a member of the audit committee) of the FTSE 250 listed GCP Infrastructure Investments Limited, an investment fund capitalised at c£900m. Michael is very experienced in financial services and was formerly chairman of Funds for RBS Corporate Bank and regional managing director of Corporate Banking at RBS International.

## **Proposed Director**

### ***Raymond Abbott***

Raymond Abbott was formerly a director of the Company and Enterprise VCT plc (which was merged into the Company in 2008) and was previously the managing director of Alliance Trust Equity Partners. Raymond is currently a non-executive director of The Scottish Building Society and Integrated Environmental Solutions Limited.

## **Corporate Governance**

The FCA requires all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board confirms the Company has taken the appropriate steps to enable it to comply with the principles set out in section 1 of the Code, as appropriate for a VCT.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders than reporting under the Code above.

For the year ended 31 March 2016 and as at the date of this document, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except where noted below. There are certain areas of the Code that the AIC does not consider relevant to VCTs and with which the Company does not specifically comply, for which the AIC Code provides dispensation.

The areas and reasons for non-compliance are set out below.

### ***Application of the Principles of the Code***

The Board attaches importance to matters set out in the Code and applies its principles. However, as a VCT, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

### ***Board of Directors***

The Board consists solely of non-executive directors. In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight, Foresight Group and Foresight Fund Managers and Shakespeare Martineau LLP, the Company has not appointed a chief executive officer, deputy chairman or a senior independent non-executive director as recommended by the Code. The Directors (other than Peter Dicks who is considered non-independent under the Listing Rules by virtue of being a director of other companies which are managed by Foresight) are considered to be independent.

### ***Directors' Tenure***

In view of its non-executive nature and the requirement of the Articles that Directors retire by rotation at the annual general meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. However, the Board has agreed that each Director will retire and, if appropriate, may seek re-election after each year. Non-independent Directors are required to retire annually.

Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as requirements change, although there is no formal induction programme for the Directors as recommended by the Code.

### ***Board Evaluation***

The Board undertakes a formal evaluation of its own performance and that of its committees and individual Directors on a rolling three year basis. This methodology is a departure from the Code, which requires annual evaluation. Initially, the evaluation takes the form of a questionnaire for the Board (and its committees) and individual Directors. The Chairman then discusses the results with the Board (and its committees) as a whole and Directors individually. Following completion of this second stage of the evaluation, the Chairman will take appropriate action to address any issues arising from the process.

### ***Internal control***

As the Board has delegated the financial administration to Foresight, Foresight Group and Foresight Fund Managers, the Board feels that it is not necessary to have its own internal audit function. It has decided that the systems and procedures employed by Foresight, Foresight Group and Foresight Fund Managers, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors.

Further details on the Company's corporate governance, various committees and other internal controls are set out in paragraph 7 of Part IX of this document.

### ***Investment Manager***

Foresight is appointed as investment manager to the Company and also provides secretarial, administration and custodian services to the Company. Foresight is a company registered in Guernsey and is licensed by the Guernsey Financial Services Commission.

Foresight has appointed Foresight Group to provide investment advisory services to Foresight for the purposes of fulfilment of the provision of investment management services to F4 and has also sub-contracted the provision of administration services to Foresight Group. Foresight Group has delegated the provision of administration services to Foresight Fund Managers, which is also the appointed company secretary. Foresight Fund Managers is a wholly owned subsidiary of Foresight Group, which is a subsidiary undertaking of Foresight. Foresight Group is authorised and regulated in the UK by the Financial Conduct Authority.

### ***Investment Objective***

To provide private investors with attractive returns from a portfolio of investments in fast-growing unquoted companies in the United Kingdom. It is the intention to maximise tax-free income available to investors from a combination of dividends and interest received on investments and the distribution of capital gains from trade sales or flotations.

The above investment objective will continue to apply for the Enlarged Company following the Merger and for the purposes of the funds raised under the Offer.

### ***Investment Policy***

The Company will target UK unquoted companies which it believes will achieve the objective of producing attractive returns for shareholders.

### ***Investment Securities***

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, convertible securities, and fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stock, whilst AIM investments are primarily held in ordinary shares. Pending investment in unquoted or AIM listed securities, cash is primarily held in interest bearing accounts as well as in a range of permitted liquidity investments.

### ***UK Companies***

Investments are primarily made in companies which are substantially based in the UK, although many will trade overseas. The companies in which investments are made must satisfy a number of tests set out in Part 6 of the Income Tax Act 2007 to be classed as VCT qualifying holdings.

### ***Asset Mix***

The Company aims to be significantly invested in growth businesses subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash and a range of permitted liquidity investments. It is intended that the significant majority (no less than 70%) of any funds raised by the Company will ultimately be invested in VCT qualifying investments.

### ***Risk Diversification and Maximum Exposures***

Risk is spread by investing in a range of different businesses within different industry sectors at different stages of development, using a mixture of securities. The maximum amount invested in any

one company, including any guarantees to banks or third parties providing loans or other investment to such a company, is limited to 15% of the Company's investments by VCT value at the time of investment.

### **Investment Style**

Investments are selected in the expectation that value will be enhanced by the application of private equity disciplines, including an active management style for unquoted companies through the placement of a director on investee company boards.

### **Borrowing Powers**

The Company has a borrowing limit of an amount not exceeding an amount equal to 50% of the adjusted capital and reserves (being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of its reserves). Whilst the Company does not currently borrow, its policy allows it to do so.

The above investment objective will continue to apply for the Enlarged Company following the Merger and for the purposes of the funds raised under the Offer.

### **Co-investment Policy**

The Company invests alongside other funds managed or advised by Foresight and Foresight Group. Where more than one fund is able to participate in an investment opportunity, allocations will generally be made in proportion to the net cash raised for each such fund, other than where a fund has a pre-existing investment where the incumbent fund will have priority. Implementation of this policy will be subject to the availability of monies to make the investment and other portfolio consideration, such as the portfolio diversity and the need to maintain VCT status.

### **History of the Company**

As part of its continuing growth, in August 2004 Foresight Group (as novated to Foresight) was appointed to manage Advent VCT plc and Advent 2 VCT plc which were subsequently renamed Foresight 3 VCT plc and Foresight 4 VCT plc respectively. Advent VCT plc was one of the first VCTs launched, having been launched in 1997, while Advent 2 VCT plc was launched in 1998. Both funds focused on investing in early stage UK technology businesses and performed well during the technology boom in the late 1990s/early 2000s but performed poorly subsequently as a consequence of the technology market collapse in 2002. Foresight successfully turned round these under performing funds, generating significant returns from realisations and facilitating a return to dividend payments, as well as changing their investment policies to become generalist funds, aiming to provide investors with attractive returns from a portfolio of investments in fast growing, unquoted UK companies. Besides continuing to invest in growth capital transactions, F3 and F4 then invested in management buy outs, management buy ins, management buy ins/buy outs and equity release transactions. In March 2008, Foresight Group was similarly appointed to manage Noble VCT plc and in September 2008, this was merged into F3. In February 2012, Foresight 5 VCT plc (formerly Acuity Growth VCT plc), Foresight Clearwater VCT plc and Acuity VCT 3 plc were merged into F4 to create an enlarged company with net assets of over £60 million. Foresight 5 VCT plc and Acuity VCT 3 plc were merged into a new C share class within F4 (this share class subsequently being merged into the ordinary share class) and Foresight Clearwater was merged into the F4 ordinary share class. The ordinary shares class is now the current Share class.

### **Performance of the Company**

The Company's historic performance from 2008 to 2013 reflects a generally strong performance from private equity investing and the adverse impact of an ultimately unsuccessful diversification into environmental infrastructure investing. This diversification started in 2007/8 but the environmental investment portfolio subsequently performed poorly reflecting various factors, principally weak recessionary economic conditions particularly between 2010 and 2012 and the lack of bank and equity finance following the credit crunch. The investment strategy was subsequently refocused on making private equity investments rather than environmental infrastructure investments, with the latter being effectively discontinued during 2012/13. The portfolio was substantially refreshed during 2015 with several new private equity investments, including Specac, Itad and Protean, which are helping drive recent improvements to the NAV. This improvement is shown in each of the four quarters to 31 December 2016, where the Company has seen steady NAV growth of 2.5%, 1.5%, 1.5% and 1.4% respectively.

<b>Total Return Performance per Share</b>	<b>1 Year to 31 December 2016</b>	<b>3 Years to 31 December 2016</b>	<b>5 Years to 31 December 2016</b>
NAV as at the start of the period	68.7p	89.4p	106.1p
NAV as at the end of the period	73.6p	73.6p	73.6p
Cumulative dividends paid during the period	0.0p	4.0p	13.0p
Total return as at 31 December 2016 (NAV plus cumulative dividends paid in period)	73.6p	77.6p	86.6p
NAV total return performance over the period	7.1%	(13.2%)	(18.4%)

### **Net Assets and Investment Portfolios**

As at 31 December 2016, F4 had unaudited net assets of £42.2 million (73.6p per F4 Share) and, in aggregate, venture capital investments in 23 companies, with a carrying value of £39.3 million. The balance was held in cash, money market funds and other investments.

As at 31 December 2016, F3 had unaudited net assets of £31.8 million (63.9p per F3 Share) and, in aggregate, venture capital investments in 20 companies, with a carrying value of £29.2 million. The balance was held in cash, money market funds and other investments.

Both of the Companies have the same investment policy. As a result, the proportion of the combined venture capital investment portfolios held commonly by both Companies is 90% by value as at 31 December 2016.

Further information on the investment portfolios of both the Company and F3 can be found in Part VI of this document.

### **Share Buybacks**

The Company's buyback policy is, subject to adequate cash availability, to consider repurchasing Shares when they become available in order to help provide liquidity to the market in Shares.

The Enlarged Company position following the Merger and/or the Offer is expected to enhance the Board's ability to consider buybacks with the objective of achieving and maintaining the Share price discount to the NAV per Share at 10% initially, but with a medium-term aim of achieving a Share price discount to the NAV per Share of 5%, subject to market conditions.

Share buybacks will be subject to having appropriate authorities from Shareholders, the Listing Rules and any applicable law at the relevant time. Shares may be bought back into treasury or cancelled at the Board's discretion.

### **Dividend Policy**

A proportion of realised gains will normally be retained for reinvestment in existing companies and new opportunities and to meet future costs. Subject to this, the Company will endeavour to maintain a flow of dividend payments and maximise the Company's tax-free income available to investors from a combination of dividends and interest received on investments and the capital gains arising from trade sales or flotations.

The Enlarged Company position following the Merger and/or the Offer is expected to enhance the Board's ability to consider dividend payments with the objective of achieving regular dividends linked to the performance of the enlarged investment portfolio.

### **Dividend Investment Scheme**

The Board will consider making available a dividend investment scheme once the net assets of the Company exceed £100 million. A dividend investment scheme allows shareholders to elect to have their dividends reinvested in further shares and provides a cost efficient means of acquiring additional shares in a company without incurring the usual costs associated with an offer for subscription.

### **Dividends and Returns**

The unaudited Total Return (net asset value plus dividends per share) in respect of the Company has increased in the last four quarters to 31 December 2016, increasing by 7.1% over that period.

Similarly, the unaudited Total Return (net asset value plus dividends per share) in respect of F3 has increased in the last four quarters to 31 December 2016, increasing by 8.6% over that period.

### **Management and Administration Fees**

Foresight manages the investments of both Companies and also provides administration, company secretarial and accounting services (through its group entities). The terms on which Foresight has been appointed to both of the Companies are similar.

In respect of the Company, Foresight receives annual fees of an amount equal to 2.25% of the net assets of the Company. The normal annual running costs of the Company (these being the normal expenses ignoring exceptional items, performance incentive fees and trail commission) are capped at 3.5% of the net assets of the Company's as at the end of each financial year with any excess being paid by Foresight or refunded through a reduction in Foresight's future fees. Foresight also receives an annual fee of approximately £157,000 for administration, company secretarial and accounting services (subject to annual increases in line with the Retail Prices Index).

Foresight receives fees in respect of F3 on the same basis as for the Company, save that an annual fee for administration, company secretarial and accounting services is £129,000 (subject to annual increases in line with the Retail Prices Index).

Foresight has agreed, subject to the Merger becoming effective, to reduce its annual investment management fees to an amount equal to 2% of the net assets of the Enlarged Company and reduce the expenses cap to 2.95% of the net assets of the Enlarged Company. The annual fee for administration, company secretarial and accounting services for the Company will remain at approximately £157,000 (subject to annual increases in line with the Retail Prices Index for the Enlarged Company).

### **Performance Incentive Arrangements**

Foresight Group is currently entitled to a performance incentive arrangement in respect of the Company of an amount equal to 15% of dividends paid to Shareholders, subject to a NAV plus dividends (paid on or after 11 January 2011) total return being maintained of 108.5p (such total return as at 31 December 2016 being 91.6p). A similar performance incentive arrangement exists in respect of F3.

If the Merger is effected, the existing performance incentive arrangement for the Company will continue and, pursuant to its existing terms, will automatically cover the Enlarged Company, with the performance incentive arrangement for F3 being terminated. The Board of the Enlarged Company will continue to keep the performance incentive arrangements under review and, if felt appropriate, put revised proposals to Shareholders for approval.

### **Custodian**

Investments in portfolio companies, comprising shares and loan stock, are held by Foresight Fund Managers as custodian in the name of the Company.

### **VCT Status Monitoring**

Shakespeare Martineau LLP is the Company's VCT status adviser. It carries out reviews of the Company's investment portfolio to ensure compliance with the VCT fund-level tests. The Directors monitor the Company's VCT status at meetings of the Board.

The VCT tax implications of the merger have also been advised upon by Shakespeare Martineau LLP.

### **Valuation Policy**

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital Valuation (IPEVC) guidelines (December 2015) developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period (generally one year) following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. Investments quoted or traded on a market are value at bid price. The portfolio valuation are prepared by Foresight Group, reviewed and approved by the Board quarterly and subject to annual review by the auditors. The Company's net asset value will be calculated quarterly and published on an appropriate regulatory information service. In the event of any suspension of listing valuations are held at the suspended price and the view is taken with consideration to best market practice and information from advisers.

The Directors do not anticipate any circumstances arising under which the calculation of the net asset value may be suspended. Should the determination of the net asset value differ from that set out above then this will be communicated to investors in the Company through a Regulatory Information Service provider.

### **Investor Communications**

The Board places a great deal of importance on communicating with its Shareholders and supports open communication with Shareholders. In addition to the announcement and publication of the annual report and accounts and the half-yearly financial report, the Company also publishes fact sheets for the June and December quarters which are made available on the Foresight Group website ([www.foresightgroup.eu](http://www.foresightgroup.eu)).

<b>Year End</b>	<b>31 March</b>
Announcement and publication of annual report and accounts to Shareholders	July
Announcement and publication of half-yearly results	November

## PART IV

### FORESIGHT GROUP

#### **Foresight Group**

The Private Equity team at Foresight Group, comprises 18 investment professionals with a wide range of experience - from venture capital at 3i, BGF, Inflexion and Advent Venture Partners, to hands-on operational experience at Thomson Financial and corporate finance experience at Rothschild, Mazars and E&Y together with strategic consulting experience at Accenture and Deloitte. This team has over 200 years' worth of collective investment experience and combines investors' capital and its own hands-on expertise with the intention of creating long-term shareholder value and generating attractive returns for shareholders.

With regards to portfolio management, Foresight Group takes a particularly active, hands-on approach and as a matter of policy, on its unquoted investments, seeks board representation and the ability to appoint a senior industry expert as chairman. Foresight Group works particularly closely with the investee companies in the following areas:

- definition and review of strategy and its implementation;
- recruitment and incentivisation of key management and board members;
- planning for growth, international expansion and new product/service introduction;
- fundraising from banks and other external sources; and
- mergers, acquisitions and exit planning.

#### **Opportunity**

Foresight Group has an established, robust and proven investment process developed over 30 years' of activity and continues to experience particularly strong deal flow at this time. During 2016, the Foresight Group Private Equity team reviewed over 800 investment opportunities across a broad range of sectors which was a 94% increase on the prior year, reflecting the benefits of a larger team with greater regional presence and a continued significant level of activity in the SME market.

Foresight Group is committed to developing a strong regional presence across the UK and has built up an extensive network of active corporate finance advisers and other professional SME advisers through investment teams based in its Nottingham and Manchester regional offices and its head office in London. That network now numbers more than 1,300 in total. Each Foresight Group executive is tasked with building relationships in discrete regions of the country. This entails regular meetings to build a mutual rapport and understanding of the Foresight Group investment criteria and process. Then, when the advisor gets a fundraising opportunity which fits the criteria, Foresight Group hopes to be one of the few potential funding institutions to be made aware of the opportunity.

The UK remains an excellent place to start, scale and sell a business, with broad pools of talent and an entrepreneurial culture. For example, in a recent report the European Digital City Index, London was identified as the best city in Europe to start up and scale a digital enterprise. But this entrepreneurial ecosystem is not limited to London, or indeed the South East, with Glasgow, Edinburgh, Manchester, Birmingham, Bristol, Cardiff, Oxford and Cambridge all featuring in the top 60 European cities supporting digital entrepreneurship. This mirrors Foresight Group's experience of the wider UK SME market and is the reason Foresight Group executives source deal flow from across the country through three offices. In the wake of Britain's decision to leave the EU and the uncertainty that has been born out of that decision, we believe that the possible implications such as potential bank reluctance to lend to SMEs strengthens the VCT investment case in both appealing to entrepreneurs and, more widely plugging the investment funding gap.

Foresight Group seeks investment opportunities in growing UK headquartered companies with enterprise values typically between £5 million and £15 million. Key requirements include strong management teams, attractive market characteristics and a defensible competitive position and with investments made in the most attractive opportunities without sector bias. The Company aims to invest in businesses which are at least break-even at EBITDA level but does make exceptions in situations where there is a compelling growth story. Historically the Company has invested across a variety of

transaction types including management buyouts, growth capital and equity release transactions, but following the recently amended VCT legislation is now focused on growth capital investments. Foresight has been a growth capital investor for more than 30 years. In the past five years alone, excluding energy efficiency projects, Foresight Group has made 12 growth capital investments, and the unweighted average return from growth capital investments that Foresight Group has led on exit since 2010 has been 3.9 times the original investment. Past performance, however, is not necessarily a guide to future performance.

Whilst each opportunity is assessed in relation to its own individual circumstances, the following themes are collectively driving opportunities for equity investments in SMEs.

#### ***Timing within the economic cycle***

The UK economy has materially improved from the depths of the recession and last financial crisis and Foresight Group sees a continuing healthy volume of investment opportunities driven by business managers and entrepreneurs seeking to grow their businesses prior to an eventual exit. This reflects the wider growth capital market and a recent report by Kingston Smith reported no slowing in deal volumes in Q3 following the EU referendum when compared to Q2, with deal volumes in the third quarter of 2016 also in line with the third quarter of 2015.

With the significant weakening of Sterling since the referendum, UK businesses which export to international markets have become more competitive. The Company has had significant historic success in investments which export worldwide, including for example Datapath Group Holdings Limited and TFC Europe Limited. A number of recent investments by Foresight Group, such as Simulity Labs Limited, which the Company would have participated in had it had greater liquidity, are largely export focused and Foresight Group believes that a significant proportion of new investments will reflect this trend.

#### ***Tax incentives to grow and sell small businesses***

UK tax legislation has developed favourably in recent years to incentivise entrepreneurs to grow and develop businesses. Both Enterprise Management Incentive share option schemes, which apply only to smaller businesses (which are often suitable for VCT investment), and Entrepreneur's Relief, which reduces business owners' capital gains tax liability on a sale of the business, provide management teams with strong incentives to grow and realise value from their businesses.

#### ***Reduced interest from private equity competitors for smaller companies***

While many private equity firms continue to concentrate on mid-market and larger transactions, Foresight Group has remained focused on generating attractive returns for investors by applying its expertise in finding and supporting smaller growth companies. Many mid-market private equity funds raised substantial sums in 2015 and 2016 and as such are focusing more and more on larger transactions and investments upwards of £10 million. This results in relatively less competition for assets at the lower mid-market level.

#### ***Banks' lending to SMEs remains constrained***

With marginal increases in bank lending to SMEs during 2015, lending has remained relatively constrained during 2016 increasing by only 2.1% in the 12 months to September 2016 from a base reflecting a sustained period of decline (Source: Bank of England). This demonstrates a clear opportunity for lower mid-market private equity funds to be deployed to meet demand for funding transactions amongst SMEs.

#### ***Healthy market for mergers and acquisitions (M&A)***

Whilst macroeconomic issues and political change have impacted the upper end of the Global M&A market in the first half of 2016 (Brexit, the US election and tightening antitrust regulations in the US), the UK mid-market has remained active from an M&A perspective. The first three quarters of 2016 saw over 1,900 private company takeovers; a 14% uplift on the same period in the prior year (Source: BDO LLP).

Indeed, the lower mid-market has been particularly buoyant in 2016 with private equity investments in the segment enjoying the most active six months in volume terms since 2008 and with aggregate deal values reaching £2 billion, according to a Lyceum Capital/Cass Business School report. On a European scale, in the TMT sectors alone there has been a consistent flow of around 300 transactions a month across Europe throughout 2016 (Source: Regent).

Whilst the Company invests in UK smaller companies, after periods of successful growth these businesses can become attractive acquisition prospects for international buyers and so buoyant global M&A markets can help drive SME exit opportunities. The UK remains an attractive investment destination and the recent devaluation of the pound only serves to heighten overseas interest in UK assets, particularly for US acquirers. In recent years Foresight Group has sold investments to American and Indian buyers and we would expect the trend of overseas interest to continue.

### **Strength of the investment management team**

The Board believes that the success of any VCT is dependent on the judgement, experience and skills of the investment manager.

### **Venture Capital Trusts**

Foresight Group is a specialist private equity and infrastructure investment manager with more than £2.6 billion of assets under management. Founded in 1984, through its parent undertaking, Foresight, manages four VCTs and has won a number of awards. In late 2016, Foresight Group was voted by its peers “VCT House of the Year” in the 2016 Unquote British Private Equity Awards, where the judges commented: “Foresight really impressed the judges this year with their sustained work rate and strong returns”, referring to the eleven new investments and nine full or partial realisations made in the twelve-month judging period July 2015 to June 2016.

The strength and depth of the team has enabled Foresight Group to win the management mandates of established VCTs from other investment managers. Advent VCT plc (now F3), Advent 2 VCT plc (now the Company), Noble VCT plc (subsequently merged into F3), Acuity Growth VCT plc (subsequently merged into the Company) and Acuity 3 VCT plc (subsequently merged into the Company) have all been successfully transferred across to Foresight Group’s management (as novated to Foresight).

### **Regional growth funds**

In 2013, Foresight Group’s Private Equity team was appointed to manage a regional fund of £39 million on behalf of the British Business Bank, Nottingham City and County Councils to target investment in dynamic growth companies, with a focus on Nottinghamshire to stimulate enterprise, create jobs and to attract inward investment to the region. Since then, the Foresight Nottingham Fund has completed £21 million of investments in fourteen local businesses. In 2015, Foresight Group announced a £38 million second regional fund in the North West of England, cornerstoned by the Greater Manchester Pension Fund with a mandate to invest in entrepreneurial businesses in Cumbria, Cheshire, Lancashire, Manchester, Merseyside, North East Wales and South Yorkshire. From its office in Manchester the Foresight Regional Investment Fund has already invested over £15 million in five businesses.

### **Awards**

<b>RECENT AWARDS</b>	<b>SHORTLISTED FINALIST</b>
<b>Green Innovation and Finance Awards 2017</b> Infrastructure Financier of the Year	<b>Unquote British Private Equity Awards 2016</b> Exit of the Year - <b>Defaqto</b>
<b>Unquote British Private Equity Awards 2016</b> VCT House of the Year	<b>Growth Investor Awards 2016</b> Exit of the Year - <b>Defaqto</b> Best BPR Investment Manager
<b>Growth Investor Awards 2016 - Runner Up</b> Most Impactful Investment - <b>Specac</b>	<b>South East Dealmakers 2016</b> Private Equity House of the Year Young Dealmaker of the Year - <b>J Livingston</b>
<b>Tax Efficiency Awards 2016</b> Best IHT Portfolio Service - <b>Foresight Accelerated Inheritance Tax Solution</b>	<b>Financial Innovation Awards 2016</b> Innovation in delivery of financial products - Planning and Advice - <b>Foresight Accelerated Inheritance Tax Solution</b>
<b>New Energy and Cleantech Awards 2015</b> Company of the Year Financier of the Year	<b>Women in Private Equity Awards 2016</b> Best Woman GP Mid-market/growth capital - <b>Claire Alvarez and Lizzie Ryan</b>
<b>East Midlands Dealmakers Awards 2014</b> SME Deal of the Year - <b>Positive Outcomes</b>	<b>Investor Allstars 2015</b> Growth Fund of the Year - <b>Foresight Nottingham Fund</b> VCT of the Year - <b>Foresight VCT</b>

## **The Foresight Group Team**

### *Founders*

#### **Bernard Fairman** Chairman and Co-founder

- Over 35 years' private equity, venture capital and fund management experience
- Sourced and negotiated over 40 investments
- Has led Foresight Group since co-founding the firm in 1984

#### **Peter English** Co-founder and Partner

- Over 30 years' SME investment experience
- ten years' experience in the semiconductor industry, at GEC Semiconductors and Nortel

### *Partners*

#### **David Hughes** Partner and Foresight Group CIO

- Venture capital experience from 3i, Framlington, Bank Austria and most recently at Advent Venture Partners.
- Over 40 years' private equity, venture capital and fund management experience
- First Class Chemistry graduate from the University of Bristol
- Sourced and executed over 50 venture capital transactions
- Chartered Certified Accountant

#### **Russel Healey** Partner and Head of Private Equity

- 12 years' experience in fund management and venture capital investing
- ten years' senior management experience as CTO of a financial information company sold to Thomson Reuters
- MBA with distinction from London Business School

#### **James Livingston** Partner

- Nine years' venture capital investment experience
- Three years' strategy consulting and commercial due diligence experience at Deloitte
- First class MA in Natural Sciences and Management Studies from the University of Cambridge

#### **Matt Smith** Partner

- Eight years' venture capital investment experience
- Eight years' banking experience at Rothschilds
- MA in Biological Sciences and Physiology from University of Oxford

### *Senior Investment Directors*

#### **Seb Saywood** Director

- Four years' private equity and venture capital experience
- Seven years' merger and acquisitions and restructuring experience with Clearwater Corporate Finance and Zolfo Cooper.
- Degree in Economics from the University of Durham

#### **Tom Thorp** Director

- Eight years' private equity and sustainable energy investing experience
- Nine years' audit and transaction services experience at KPMG
- Chartered Accountant and graduate of Edinburgh University

#### **John Holden** Principal

- 20 years' private equity and venture capital experience, latter 15 years focused on technology and medical devices
- Experience at 3i, ANGLE, Imperial Innovations and his own advisory and funding business
- Degree in Economics and Politics from the University of Durham with an MBA (Distinction) Cranfield University

**Rodney Appiah** Senior Investment Manager

- Five years' private equity and venture capital experience at the Business Growth Fund
- Five years' mergers and acquisitions, corporate advisory and restructuring experience at Merrill Lynch
- Degree in economics from the Royal Holloway University of London

**Claire Alvarez** Senior Investment Manager

- Six years' experience advising banks and company directors on returning value from distressed SMEs
- Degree in Management (first class) from the University of Lancaster, MBA (distinction) from Manchester Business School

**Mike Quinn** Senior Investment Manager

- 17 years of SME corporate finance experience, latterly as Head of East Midlands CF team at RSM
- Advised on many private equity transactions and spent a year on secondment with Catapult Venture Managers covering the UK from their Leicester base.
- Fellow of the ICA and holds a degree in Business Economics and Finance from the University of Loughborough

*Investment Directors*

**Rob Jones** Investment Manager

- Six years' mergers and acquisitions experience with RSM and Ernst & Young, latterly focused on advising mid-market private equity
- ACA qualified with a degree in Business and Economics from the University of Manchester and a master's degree in Global Business from Manchester Business School

**Elizabeth Ryan** Investment Manager

- Three years' private equity and venture capital experience
- Six years' corporate finance experience at Deloitte
- Degree in Economics (first class) from Newcastle University

**Amy Crofton** Investment Manager

- 11 years' investment banking and corporate finance expertise
- Five years' experience structuring equity and debt investments in UK SMEs
- Degree in Materials, Economics and Management (first class) from Oxford

**John Cordrey** Investment Manager

- Two years' private equity and venture capital experience
- Chartered accountant at PwC, working in M&A
- Degree in economics from the University of Durham

**Matt Pomroy** Investment Manager

- Five years' corporate finance and M&A experience advising SMEs at Mazars
- ACA qualified with a degree in Economics and Social Policy from the University of Sheffield and Diploma in Corporate Finance

**Chris Wardle** Investment Manager

- Two years' private equity and venture capital experience
- Five years' experience in mergers and acquisitions and post-deal corporate strategy with Accenture's M&A practice
- Degree in natural sciences from the University of Cambridge

## Case Studies

### **Procam Television Holdings Limited**

Investment type: MBO

Total originally invested (all Foresight VCTs): £1.8 million

Total aggregate investment by (Foresight VCTs): £3.05 million

Initial investment: April 2013

Sector: TMT

### **Company Background**

Procam is one of the UK's leading broadcast hire companies, supplying equipment and crew for location TV production. Clients include the major broadcasters, corporates and production companies large and small, including the BBC, ITV, Two Four, All 3 Media, Monkey Kingdom and Shine Group. Procam has supplied kit and crew to some of Britain's best loved shows, including Made in Chelsea, Derren Brown, Geordie Shore and The Island with Bear Grylls.

Due to the increasing range of camera formats and the intermittent filming schedules of most TV production companies, producers often prefer to hire equipment and crew rather than own and manage their own assets and staff.

### **Investment**

The Foresight VCTs invested £1.8 million in a combination of shareholder loans and equity in April 2013 to support a management buyout, investing alongside the existing management team and the incoming non-executive chairman and finance director.

Foresight Group was attracted to the investment by the historic growth of the business, solid market position and a loyal customer base. The management team were able to demonstrate a strong customer service ethos and a passion and ambition for the business.

The Foresight VCTs subsequently invested twice further, in support of various acquisitions.

### **Process**

Foresight Group was introduced to the opportunity by the vendor's advisor approximately nine months before the formal process commenced. Foresight Group has had a relationship with the corporate finance advisor in question for over 20 years and was introduced to the Procam management team at an early stage to try and de-mystify the MBO process and explain how private equity investors work in partnership with their portfolio companies.

When the MBO fundraise was then formally launched, Foresight Group had already built a strong understanding of the business and had a good relationship with the management team, enabling the Foresight Group to be successful in being the chosen partner for the business.

After a deal was agreed in principle, the due diligence process took 3-4 months. Foresight Group used external independent firms to conduct financial, legal and commercial due diligence. The commercial due diligence included extensive customer referencing which was universally positive.

### **Future Strategy**

As part of the transaction Foresight Group sought out a strong industry chairman and were able to introduce Clive Jones CBE to chair the business. Clive has had a long career in television in various senior positions, including CEO of Carlton and chairman of GMTV. Helen Cardrick was appointed as finance director on completion of the MBO. Helen brings a commercial mind-set from her career across various industries including travel and retail. James Livingston of Foresight Group was also appointed to the board as a non-executive.

Since investing in April 2013, Foresight Group has supported Procam in making four bolt-on acquisitions which have broadened the company's geographical footprint in the UK, allowed it to enter the large US market and added specialist services and additional capabilities to the business.

Procam now has facilities across Edinburgh, Glasgow, Manchester and recently moved into a new, larger HQ, in Acton, London. Procam successfully entered the US market in 2015 with an acquisition in New York, which is enjoying significant growth. During 2016 Procam acquired the assets of the camera division of Take 2, which is focused on long form drama and film. Take 2 has previously supplied equipment and expertise to productions such as The Imitation Game, Paddington and The King's Speech.

The management team are focused on integrating the acquisitions and providing an ever broadening array of equipment and services to their clients.

**The Bunker Secure Hosting Limited**

Investment type: Growth Capital

Total originally invested (all Foresight VCTs): £1.0 million

Total aggregate investment by (Foresight VCTs): £4.5 million

Initial investment: May 2006

Sector: TMT

**Company Background**

The Bunker provides high security, high availability IT managed hosting and co-location services to over 200 companies and public bodies from facilities in two large and heavily equipped ex MoD subterranean nuclear command and control bunkers in Ash near Sandwich and Greenham Common providing approximately 28,000 sq ft of data storage facilities.

The Foresight VCTs first invested in 2006 when the business was generating c.£1.8 million revenue and loss making, to help the business build on its initial traction. The founders had acquired the sites from the MoD, completed a partial, fit out and generated revenues but needed to scale the facilities materially.

With Foresight Group's support, the business grew strongly, driven by customers' security concerns and businesses continuing to move systems into 'the cloud'.

The Bunker has featured in The Sunday Times Microsoft Tech Track 100 as one of the UK's fastest growing technology companies and is currently generating annualised recurring revenues in excess of £9 million.

**Foresight Investment**

The Foresight VCTs invested a total of £1.0 million of equity into the business in 2006, structured as £750,000 shareholder loan and £250,000 as equity.

The key investment attractions to The Bunker were the recurring nature of the revenue streams and the differentiated service offering available, given the ultra-secure nature of the data centres in the ex MOD nuclear bunkers. A strong management team with extensive experience in data centres was also a clear attraction to the business alongside a highly experienced private investor who had a wide contacts base within the financial sector - a target area of growth for the business.

Several further rounds of growth capital were invested to expand the two existing data centres with greater levels of power supply, connectivity and hosted hardware for customers.

In 2015 a recapitalisation was completed, returning £5.1 million to the Foresight VCTs (shareholder loan repayment and accrued interest).

**Process**

The Bunker was originally introduced to Foresight Group via a corporate finance adviser well known to the private equity team when the business was looking for growth capital finance to support more sales and marketing activities as well as financing the fit out of one of its data centres in Kent.

Following a competitive process, Foresight Group agreed investment terms for this growth capital investment and commenced our three month long due diligence process involving financial, commercial and legal due diligence.

One of the key aspects of the due diligence process was understanding the data centre market in the UK and the prospective areas of growth as well as key market challenges.

Immediately post transaction Foresight Group appointed an investor director to the board. The existing non-executive chairman is highly experienced with a background covering a wide variety of private equity backed sectors with substantial experience on growing businesses with ambitious management teams and seeking optimum exit multiples.

**Future Strategy**

The business is experiencing growth from the emerging and evolving Fintech sector where The Bunker is leveraging its expertise to target customers and offer solutions to the industry's needs. With a compound annual growth rate ("CAGR") of over 14% in recurring revenues to its Fintech customer base over the last three years, this sector now represents the largest end market for The Bunker and is a continuing area of focus.

In more recent years, the company has targeted co-location as well as managed services for customers which has required increased level of owned hardware within the facilities as well as moving systems into 'the cloud'.

**Trilogy Communications Holdings Limited**

Investment type: MBO and Growth Capital

Total originally invested (all Foresight VCTs): £2.0 million

Total aggregate investment by (Foresight VCTs): £5.8 million

Initial investment: September 2005

Sector: TMT

**Company Background**

Trilogy is a leading designer and manufacturer of communications equipment for the defence and broadcast sectors, with a global customer base, having sold into over 70 countries. Customers include the BBC and ITV in the broadcast sector and Lockheed Martin, BAE Systems and Thales in the defence market. The business is based in Andover, Hampshire.

**Foresight Investment**

The Foresight VCTs initially invested £2.0 million in a combination of shareholder loans and equity in 2005 to support a management buyout of the company from Bank Austria, investing alongside management and private investors. Foresight VCTs also provided growth capital to develop the defence and homeland security side of the business and launch the business in the USA.

Foresight Group, was attracted to the investment by Trilogy's strong competitive position within the internet protocol intercom systems market, patented technologies and growth potential in new markets, particularly defence. The company successfully developed a secure communications system for the defence market which allowed communications across multiple security levels and between several domains (e.g. interoperability between air force, navy and intelligence agencies).

Trilogy was introduced via a technology focused corporate finance adviser well known to Foresight Group for many years.

Foresight Group continued to support the business with further rounds of growth capital investment as the business was successfully designed into several large US defence programmes. The business also successfully received the US Government's 'PL4' (Protection Level 4) certification for its communication system.

**Trading and Exit**

In the years following the initial investment, Trilogy grew rapidly, growing revenue several fold, reaching £8.5m revenue in 2012, with EBITDA of over £1m, allowing the business to commence repayments of shareholder loans. A sale process for the business was commenced but soon faltered as US government sequestration resulted in budget reductions in the UK Department of Defence, one of the company's key end markets and the company's overall revenues materially declined and the business becoming loss-making.

Foresight Group took steps to secure the company's future, including several rounds of cost cutting and changes to senior management. Foresight Group also brought in a new executive chairman with turnaround experience. The business was eventually stabilised and an exit process was commenced, resulting in a sale in 2016 to US business Clear-Com.

Overall, with interest and loan repayments, and accounting for the full sale proceeds, up to 73% of cost will be recovered. Whilst it is a poor result, it would have been materially worse without Foresight Group's extensive work on the turnaround of the business and careful negotiation of investment structuring to optimise returns.

**Lab901 Limited**

Investment type: Growth Capital

Total originally invested by all Foresight VCTs: £0.9 million (original investment by Noble Fund Managers Limited)

Total aggregate investment by all Foresight VCTs: £1.4 million

Initial investment: April 2008

Sector: Healthcare

**Company Background**

Lab901 is an early stage life sciences instrumentation company developing technology that automates the process of analysing DNA, RNA and proteins, offering significant efficiency and accuracy improvements compared to manual processes. Each unit comprises a small scanning instrument and proprietary 'Screentape' test strip consumable which are sold into research laboratories worldwide. The business is based in Midlothian, near Edinburgh.

**Foresight Investment**

Noble VCT plc, then managed by Noble Fund Managers Limited, originally invested £600,000 in July 2006 in ordinary shares as part of a £1.4m round alongside existing investors to support the continued growth of Lab901. At the time, the company was at an advanced stage in developing its technology and the funds were intended to continue product development and facilitate commercial launch through establishing a global distributor network.

In April 2008, shortly after a down-round in which Noble VCT plc invested a further £301,000, Foresight Group was appointed as investment manager for Noble VCT plc and assumed management of the Lab901 investment. In September 2008 Noble VCT plc was merged with F3.

Foresight Group supported the business with additional investment totalling £500,000, participating in a round in August 2009 to finance trading losses and advancing a bridging loan that was drawn between 2010 and 2011 to allow the company to trade through a protracted sale process.

**Trading and Exit**

Shortly after Foresight Group took over management of the investment in Lab901 in April 2008, the company successfully launched a number of new products, gaining sales traction with its protein and RNA instruments after resolving a number of technical issues. At this point, Lab901 was in discussions with a number of large pharmaceutical companies which wanted to incorporate the company's technology into their disease testing systems, however broader commercial traction was disappointing.

The company remained cash constrained given continuing product development and the limited resources of its investors, largely early stage VCs and angel investors. A final funding round was supported by all existing shareholders in July 2009 and a sale process was initiated in March 2010, with the management team incentivised to achieve an exit for the shareholders. The process took longer than expected however and costs had to be significantly reduced, while a bridging loan was organised to allow the businesses to trade through.

In February 2011, Lab901 was finally sold to Agilent Technologies for £14.3 million returning 0.9x money invested by F3 despite the commercial traction being slower than planned. If a sale had not been achieved the company would have required significant further investment from F3 and further cost-cuts to allow it to trade to breakeven.

## PART V

### FINANCIAL INFORMATION ON THE COMPANY AND F3

Audited financial information on the Company is published in the annual reports and financial statements for the three years ended 31 March 2014, 2015 and 2016. Unaudited financial information on the Company is published in the half-yearly reports for the six month periods ended 30 September 2015 and 2016.

Audited financial information on F3 is published in the annual reports and financial statements for the three years ended 31 March 2014, 2015 and 2016. Unaudited financial information on F3 is published in the half-yearly reports for the six month periods ended 30 September 2015 and 2016.

The annual report and financial statements for the Company for the years ended 31 March 2014, 2015 and 2016 were audited by KPMG LLP of 15 Canada Square, London E14 5GL (a member of the Institute of Chartered Accountants), and were reported on without qualification and contained no statements under section 495 to section 497A of CA 2006.

The annual reports and financial statements for F3 for the years ended 31 March 2014, 2015 and 2016 were audited by KPMG LLP of 15 Canada Square, London E14 5GL (a member of the Institute of Chartered Accountants), and were reported on without qualification and contained no statements under section 495 to section 497A of CA 2006.

All of the annual reports and financial statements referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP), the requirements of CA 2006 and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

The annual reports and financial statements and half-yearly reports contain a description of the relevant company's financial condition, changes in financial condition and results of operation for each relevant financial year, and the pages of these referred to below (which contain the information as detailed below) are being incorporated by reference and can be accessed at the following website [www.foresightgroup.eu/retail-investment/vcts](http://www.foresightgroup.eu/retail-investment/vcts) and are also available for inspection through the national storage mechanism, which can be accessed at the following website [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. The tables below comprise a cross-referenced list of information incorporated by reference. The parts of these documents which are not being incorporated by reference are either not relevant for an investor or are covered elsewhere in the Prospectus.

#### The Company

Description	2014 Annual Report	2015 Annual Report	2016 Annual Report	2015 Half-Yearly Report	2016 Half-Yearly Report
Balance Sheet	Page 46	Page 45	Page 42	Page 18	Page 16
Income Statement (or equivalent)	Page 44	Page 43	Page 40	Page 17	Page 15
Statement showing all changes in equity (or equivalent note)	Page 45	Page 44	Page 41	Page 18	Page 16
Cash Flow Statement	Page 47	Page 46	Page 43	Page 19	Page 17
Accounting Policies and Notes	Pages 48 to 63	Pages 47 to 62	Pages 44 to 59	Pages 20 to 22	Pages 18 to 19
Auditor's Report	Pages 42 to 43	Pages 41 to 42	Pages 38 to 39	N/A	N/A
Dividends	Page 52	Page 51	Page 48	N/A	N/A

This information has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>2014 Annual Report</b>	<b>2015 Annual Report</b>	<b>2016 Annual Report</b>	<b>2015 Half-Yearly Report</b>	<b>2016 Half-Yearly Report</b>
Objectives	Page 4	Page 4	Page 4	Page 1	Page 1
Financial Highlights	Page 1	Page 1	Page 1	Page 2	Page 2
Chairman's Statement	Pages 2 to 3	Pages 2 to 3	Pages 2 to 3	Pages 3 to 4	Pages 3 to 4
Manager's Report	Pages 10 to 16	Pages 10 to 16	Pages 10 to 17	Pages 5 to 12	Pages 5 to 10
Portfolio Summary	Pages 17 to 25	Pages 17 to 24	Pages 18 to 23	Pages 13 to 15	Pages 11 to 13
Investment Policy	Page 7	Page 7	Page 7	N/A	N/A
Valuation Policy	Page 8	Page 8	Page 9	N/A	N/A

### **F3**

<b>Description</b>	<b>2014 F3 Annual Report</b>	<b>2015 F3 Annual Report</b>	<b>2016 F3 Annual Report</b>	<b>2015 F3 Half-Yearly Report</b>	<b>2016 F3 Half-Yearly Report</b>
Balance Sheet	Page 42	Page 42	Page 43	Page 16	Page 15
Income Statement (or equivalent) Statement showing all changes in equity (or equivalent note)	Page 40	Page 40	Page 41	Page 15	Page 14
Cash Flow Statement	Page 41	Page 41	Page 42	Page 16	Page 15
Accounting Policies and Notes	Page 43	Page 43	Page 44	Page 17	Page 16
Auditor's Report	Pages 38 to 39	Pages 38 to 39	Pages 39 to 40	N/A	N/A
Dividends	Pages 44 to 57	Pages 44 to 57	Pages 45 to 58	Pages 18 to 19	Pages 17 to 18
	Page 48	Page 48	Page 49	N/A	N/A

This information in the annual reports has been prepared in a form consistent with that which will be adopted in F3's next published annual financial statements (if the merger is not effected) having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>2014 F3 Annual Report</b>	<b>2015 F3 Annual Report</b>	<b>2016 F3 Annual Report</b>	<b>2015 F3 Half-Yearly Report</b>	<b>2016 F3 Half-Yearly Report</b>
Objectives	Page 5	Page 5	Page 5	Page 1	Page 1
Financial Highlights	Pages 1 to 2	Pages 1 to 2	Pages 1 to 2	Page 2	Page 2
Chairman's Statement	Pages 3 to 4	Pages 3 to 4	Pages 3 to 4	Page 3	Pages 3 to 4
Manager's Report	Pages 11 to 16	Page 11 to 16	Pages 11 to 17	Pages 4 to 10	Pages 5 to 9
Portfolio Summary	Pages 17 to 23	Pages 17 to 23	Pages 18 to 24	Pages 11 to 13	Pages 10 to 12
Investment Policy	Page 8	Page 8	Page 8	N/A	N/A
Valuation Policy	Page 9	Page 9	Page 10	N/A	N/A

## PART VI

### INVESTMENT PORTFOLIOS AND THE PRINCIPAL INVESTMENTS OF THE COMPANY AND F3

The table in Part A provides a summary of the portfolios of the Company and F3 based on the unaudited management accounts of both Companies to 31 December 2016 and shows the percentages each investment is expected to represent in the Enlarged Company should the Merger be completed.

Part B contains details of the ten largest investments (ignoring cash and money market investments) of each of the Company and F3 as at the date of this document. Such investments were last valued as at 31 December 2016 and represented more than 68.6% of the unaudited net assets of the Company and 77.3% of the unaudited net assets F3 as at that date.

Save as set out at the bottom of Part A, there have been no material changes in the investments held and their valuations since 31 December 2016.

#### Part A - Portfolio Summary

	Company			F3			Enlarged Company Percentage of net assets (%)
	Cost (£)	Value (£)	Percentage of net assets (%)	Cost (£)	Value (£)	Percentage of net assets (%)	
Datapath Group Limited	73,250	10,034,993	23.8%	73,250	10,034,993	31.5%	27.1%
Ixaris Systems Limited	1,181,432	2,966,215	7.0%	866,385	2,175,228	6.8%	6.9%
TFC Europe Limited	156,370	2,467,868	5.8%	125,096	1,973,850	6.2%	6.0%
The Bunker Secure Hosting Limited	584,987	2,411,849	5.7%	475,300	1,958,078	6.1%	5.9%
Procam Television Holdings Limited	1,101,385	2,333,513	5.5%	423,608	897,213	2.8%	4.4%
CoGen Limited	390,928	2,294,404	5.4%	351,539	2,071,089	6.5%	5.9%
Specac International Limited	650,000	1,670,761	4.0%	650,000	1,670,761	5.2%	4.5%
Protean Software Limited	1,000,000	1,634,180	3.9%	500,000	817,090	2.6%	3.3%
Autologic Diagnostics Group Limited	2,488,785	1,585,828	3.8%	2,488,966	1,585,828	5.0%	4.3%
FFX Group Limited	1,372,002	1,566,723	3.7%	-	-	0.0%	2.1%
Blackstar Amplifications Holdings Limited	1,000,000	1,528,976	3.6%	-	-	0.0%	2.1%
MpLSystems Limited	-	-	0.0%	1,834,320	1,411,221	4.4%	1.9%
Biofortuna Limited	1,370,053	1,370,053	3.2%	684,994	684,994	2.1%	2.8%
The Business Advisory Limited	1,000,000	1,338,015	3.2%	650,000	869,999	2.7%	3.0%
Itad Limited	1,000,000	1,275,605	3.0%	250,000	318,901	1.0%	2.2%
Hospital Services Limited	1,200,000	1,221,518	2.9%	-	-	0.0%	1.6%
ABL Investments Limited	1,000,000	978,957	2.3%	475,000	465,519	1.5%	1.9%
ICA Group Limited	-	-	-	670,884	880,894	2.8%	1.2%
Aerospace Tooling Corporation Limited	150,000	696,481	1.6%	50,000	139,023	0.4%	1.1%
Flowrite Refrigeration Holdings Limited	295,000	662,326	1.6%	85,199	191,287	0.6%	1.2%
Positive Response Communications Limited	500,000	452,185	1.1%	500,000	452,185	1.4%	1.2%
Sindicatum Carbon Capital Limited	200,063	393,825	0.9%	174,993	344,475	1.1%	1.0%
Zoo Digital Group plc	755,605	215,525	0.5%	1,006,348	244,030	0.8%	0.6%
Thermotech Solutions Limited	200,000	208,249	0.5%	-	-	0.0%	0.3%
Quantel Holdings (2010) Limited	235,762	29,567	0.1%	-	-	0.0%	0.0%
Net current assets*	2,078,306	2,878,306	6.9%	1,707,247	2,676,316	8.5%	7.5%
<b>Net assets</b>	<b>19,983,928</b>	<b>42,215,921</b>	<b>100.00</b>	<b>14,043,129</b>	<b>31,862,975</b>	<b>100.00</b>	<b>100.00</b>

\* net current assets includes other investments, money market funds, cash, receivables and payables.

The following movements have occurred since 31 December 2016 in the Company:

- The entire shareholding of Zoo Digital Group plc has been disposed of yielding proceeds of £230,000.

The following movements have occurred since 31 December 2016 in F3:

- The entire shareholding of Zoo Digital Group plc has been disposed of yielding proceeds of £260,000.

## Part B - Largest Investments

### The Company

<b>Datapath Group Limited</b>			
A Derby based manufacturer of PC-based multi-screen computer graphics cards and video capture hardware, specialising in video wall and data wall technology. Established in 1982, it has provided solutions for wide-ranging and varied applications including control rooms, financial dealing rooms, CCTV, distance learning, digital signage and business presentations.			
Current amount invested	73,250	Year ended	31 March 2016
Aggregate amount invested	1,000,000	Sales	21,214,700*
Current investment value	10,034,993	Profit/(loss) before tax	4,995,266*
Proceeds received	3,018,096	Net assets/(liabilities)	16,349,995*
Equity/voting rights	12.9%		
Valuation methodology	Discounted earnings multiple	Percentage of F4 investment portfolio	23.8%

\* These figures are extracted from the Datapath Group Limited consolidated annual report and financial statements for the year ended 31 March 2016.

<b>Ixaris Systems Limited</b>			
Operates a prepaid electronic payment service integrated with the Visa network. Consumers deposit funds by credit card, cash at payment points or via normal bank transfers. The company has made inroads into the affiliates payment market, enabling affiliate networks to make payments to their members cost-effectively wherever they are in the world, and also into the online travel agency market. The company has launched its IxSol platform that enables developers to create and run their own global payment applications under the Visa and MasterCard schemes.			
Current amount invested	1,181,432	Year ended	31 December 2015
Aggregate amount invested	1,181,432	Sales	10,748,328*
Current investment value	2,966,215	Profit/(loss) before tax	(1,011,198)*
Proceeds received	-	Net assets/(liabilities)	1,617,080*
Equity/voting rights	7.23%		
Valuation methodology	Discounted revenue multiple	Percentage of F4 investment portfolio	7.0%

\* These figures are extracted from the Ixaris Systems Limited consolidated annual report and financial statements for the year ended 31 December 2015.

**TFC Europe Limited**

Based in East Sussex, TFC is one of Europe's leading technically based suppliers of fixing and fastening products. From eight sites in the UK, Germany and the Czech Republic, it supplies injection moulded technical fasteners and ring and spring products to customers across a wide range of industries, including aerospace, automotive, hydraulics and petrochemicals and works with some of the leading manufacturers of technical products such as Smalley® Steel Ring Company.

Current amount invested	156,370	Year ended	31 March 2016
Aggregate amount invested	782,577	Sales	19,269,340*
Current investment value	2,467,868	Profit/(loss) before tax	728,954*
Proceeds received	1,122,418	Net assets/(liabilities)	2,847,828*
Equity/voting rights	22.23%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	5.8%

\* These figures are extracted from the TFC Europe Limited consolidated annual report and financial statements for the year ended 31 March 2016.

**The Bunker Secure Hosting Limited**

Provides ultra-secure IT data centre and managed services to companies from owned and leased facilities in bunkers previously constructed for military use at Ash, Kent and Newbury, Berkshire. With particular expertise in Open Source and Microsoft software and systems, web and digital security, The Bunker builds, hosts and manages ultra secure, high availability IT infrastructure platforms for its customers and provides secure co-location services to host customers' servers or back-up servers. The Bunker is highly regarded for its technical skills by its customers, which include top financial, telecoms and web based businesses concerned with data security who have made the decision to outsource their mission critical IT systems.

Current amount invested	584,987	Year ended	31 December 2015
Aggregate amount invested	1,798,677	Sales	9,625,622
Current investment value	2,411,849	Profit/(loss) before tax	(328,973)
Proceeds received	2,053,000	Net assets/(liabilities)	637,370
Equity/voting rights	12.65%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	5.7%

**Procam Television Holdings Limited**

One of the UK's leading broadcast hire companies, supplying equipment and crew for location TV production. Clients include major broadcasters and production companies, including the BBC, ITV, Two Four, Objective and Monkey Kingdom. Funds managed by Foresight and Foresight Group backed an MBO of the business in 2013. Procam has recently expanded in the United States, with a New York operation, and is broadening its range of services, now including lens servicing and lens products through subsidiary True Lens Services.

Current amount invested	1,101,385	Year ended	31 December 2015
Aggregate amount invested	1,101,385	Sales	11,453,990
Current investment value	2,333,513	Profit/(loss) before tax	84,722
Proceeds received	-	Net assets/(liabilities)	365,951
Equity/voting rights	19.02%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	5.5%

\* These figures are extracted from the Procam Television Holdings Limited consolidated annual report and financial statements for the year ended 31 December 2015.

**CoGen Limited**

Develops, builds, owns and operates waste to energy and combined heat and power ('CHP') plants. The market is driven by government regulation regarding waste disposal and renewable energy incentives. Specifically, landfill tax, which is driving waste operators towards cheaper and more efficient methods of waste disposal. The electricity generated from processing the wood will be sold to Utility offtakers and attracts Renewable Obligation Certificates ('ROCs') which generate further revenue. CoGen is building on its successful development of the £48m Birmingham Bio Power deal, which closed in December 2013, the £53m Welland deal, which closed in March 2015, the £98 million Ince Bio Power, which closed in October 2015, and the acquisition of the Plymouth site also in March 2015.

CoGen was formed to bring together the underlying shareholdings in O-Gen UK and its joint venture partner Una Group, which had previously collaborated through Carbonarius limited (a 50:50 JV).

Current amount invested	390,928	Year ended	31 August 2015
Aggregate amount invested	390,928	Sales	-*
Current investment value	2,294,404	Profit/(loss) before tax	-*
Proceeds received	-	Net assets/(liabilities)	503,293
Equity/voting rights	8.55%		
Valuation methodology	Discounted cash flow	Percentage of F4 investment portfolio	5.4%

\* CoGen Limited filed abbreviated accounts which do not include this information.

**Specac International Limited**

A leading manufacturer of high specification sample analysis and sample preparation equipment used in testing and research laboratories worldwide across a broad range of applications and end markets. Specac's products are primarily focused on supporting IR Spectroscopy, an important analytical technique prevalent in both research and commercial-industrial labs.

Current amount invested	650,000	Year ended	31 March 2016
Aggregate amount invested	650,000	Sales	7,897,416*
Current investment value	1,670,761	Profit/(loss) before tax	548,797*
Proceeds received	84,624	Net assets/(liabilities)	935,504*
Equity/voting rights	18.7%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	4.0%

\* These figures are extracted from the Specac International Limited consolidated annual report and financial statements for the year ended 31 March 2016.

<b>Protean Software Limited</b>			
A software business based in Coventry that develops and sells business management and field service management software for organisations involved in the supply, installation, maintenance and hire of equipment, across sectors such as facilities management, HVAC maintenance and elevator installation.			
Current amount invested	1,000,000	Year ended	31 March 2016
Aggregate amount invested	1,000,000	Sales	-*
Current investment value	1,634,180	Profit/(loss) before tax	-*
Proceeds received	42,411	Net assets/(liabilities)	3,837,478
Equity/voting rights	15.9%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	3.9%

\* Protean Software Limited filed abbreviated accounts which do not include this information.

<b>Autologic Diagnostics Group Limited</b>			
Founded in 1999 and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. As cars have become increasingly sophisticated and more reliant on electronic systems, mechanics need to be able to communicate to the in-car computer running the process or system, which in turn requires a diagnostic tool. Autologic Diagnostics Group supplies its 'Autologic' product for use with well-known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche. Management continues to develop a business model to generate recurring revenues through a new service-orientated product.			
Current amount invested	2,488,785	Year ended	31 December 2015
Aggregate amount invested	2,488,785	Sales	18,980,000*
Current investment value	1,585,828	Profit/(loss) before tax	(4,493,000)*
Proceeds received	4,273,189	Net assets/(liabilities)	(7,427,000)*
Equity/voting rights	5.4%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	3.8%

\* These figures are extracted from the Autologic Diagnostics Group Limited consolidated annual report and financial statements for the year ended 31 December 2015.

<b>FFX Group Limited</b>			
is a multi-channel supplier of high quality hand tools, power tools and accessories, fixings, fasteners and general building products. Headquartered in Folkestone, FFX supplies contractors, building firms and the DIY sector. Initially founded as a traditional 'bricks and mortar' supplier at its Folkestone site, FFX launched its ecommerce channel in 2009 and has since grown rapidly.			
Current amount invested	1,372,002	Year ended	30 September 2016
Aggregate amount invested	1,372,002	Sales	-*
Current investment value	1,566,723	Profit/(loss) before tax	-*
Proceeds received	71,990	Net assets/(liabilities)	-*
Equity/voting rights	12.9%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F4 investment portfolio	3.7%

\* FFX Group Limited have not yet filed any accounts.

### F3

<b>Datapath Group Limited</b>			
A Derby based manufacturer of PC-based multi-screen computer graphics cards and video capture hardware, specialising in video wall and data wall technology. Established in 1982, it has provided solutions for wide-ranging and varied applications including control rooms, financial dealing rooms, CCTV, distance learning, digital signage and business presentations.			
Current amount invested	73,250	Year ended	31 March 2016
Aggregate amount invested	1,000,000	Sales	21,214,700*
Current investment value	10,034,993	Profit/(loss) before tax	4,995,266*
Proceeds received	3,018,096	Net assets/(liabilities)	16,349,995*
Equity/voting rights	12.9%		
Valuation methodology	Discounted earnings multiple	Percentage of F3 investment portfolio	31.5%

\* These figures are extracted from the Datapath Group Limited consolidated annual report and financial statements for the year ended 31 March 2016.

<b>Ixaris Systems Limited</b>			
Operates a prepaid electronic payment service integrated with the Visa network. Consumers deposit funds by credit card, cash at payment points or via normal bank transfers. The company has made inroads into the affiliates payment market, enabling affiliate networks to make payments to their members cost-effectively wherever they are in the world, and also into the online travel agency market. The company has launched its IxSol platform that enables developers to create and run their own global payment applications under the Visa and MasterCard schemes.			
Current amount invested	866,385	Year ended	31 December 2015
Aggregate amount invested	866,385	Sales	10,748,328*
Current investment value	2,175,228	Profit/(loss) before tax	(1,011,198)*
Proceeds received	-	Net assets/(liabilities)	1,617,080*
Equity/voting rights	5.3%		
Valuation methodology	Discounted revenue multiple	Percentage of F3 investment portfolio	6.8%

\* These figures are extracted from the Ixaris Systems Limited consolidated annual report and financial statements for the year ended 31 December 2015.

<b>CoGen Limited</b>			
Develops, builds, owns and operates waste to energy and combined heat and power ('CHP') plants. The market is driven by government regulation regarding waste disposal and renewable energy incentives. Specifically, landfill tax, which is driving waste operators towards cheaper and more efficient methods of waste disposal. The electricity generated from processing the wood will be sold to Utility off-takers and attracts Renewable Obligation Certificates ('ROCs') which generate further revenue. CoGen is building on its successful development of the £48m Birmingham Bio Power deal, which closed in December 2013, the £53m Welland deal, which closed in March 2015, the £98 million Ince Bio Power, which closed in October 2015, and the acquisition of the Plymouth site also in March 2015. CoGen was formed to bring together the underlying shareholdings in O-Gen UK and its joint venture partner Una Group, which had previously collaborated through Carbonarius limited (a 50:50 JV).			
Current amount invested	351,539	Year ended	31 August 2015
Aggregate amount invested	351,539	Sales	-*
Current investment value	2,071,089	Profit/(loss) before tax	-*
Proceeds received	-	Net assets/(liabilities)	503,293
Equity/voting rights	7.7%		
Valuation methodology	Discounted cash flow	Percentage of F3 investment portfolio	7.7%

\* CoGen Limited filed abbreviated accounts which do not include this information.

**TFC Europe Limited**

Based in East Sussex, TFC is one of Europe's leading technically based suppliers of fixing and fastening products. From eight sites in the UK, Germany and the Czech Republic, it supplies injection moulded technical fasteners and ring and spring products to customers across a wide range of industries, including aerospace, automotive, hydraulics and petrochemicals and works with some of the leading manufacturers of technical products such as Smalley® Steel Ring Company.

Current amount invested	125,096	Year ended	31 March 2016
Aggregate amount invested	626,061	Sales	19,269,340*
Current investment value	1,973,850	Profit/(loss) before tax	728,954*
Proceeds received	901,990	Net assets/(liabilities)	2,847,828*
Equity/voting rights	17.78%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	6.2%

\* These figures are extracted from the TFC Europe Limited consolidated annual report and financial statements for the year ended 31 March 2016.

**The Bunker Secure Hosting Limited**

Provides ultra-secure IT data centre and managed services to companies from owned and leased facilities in bunkers previously constructed for military use at Ash, Kent and Newbury, Berkshire. With particular expertise in Open Source and Microsoft software and systems, web and digital security, The Bunker builds, hosts and manages ultra secure, high availability IT infrastructure platforms for its customers and provides secure co-location services to host customers' servers or back-up servers. The Bunker is highly regarded for its technical skills by its customers, which include top financial, telecoms and web based businesses concerned with data security who have made the decision to outsource their mission critical IT systems.

Current amount invested	475,300	Year ended	31 December 2015
Aggregate amount invested	1,461,368	Sales	9,625,622
Current investment value	1,958,078	Profit/(loss) before tax	(328,973)
Proceeds received	1,667,704	Net assets/(liabilities)	637,370
Equity/voting rights	10.3%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	6.1%

**Specac International Limited**

A leading manufacturer of high specification sample analysis and sample preparation equipment used in testing and research laboratories worldwide across a broad range of applications and end markets. Specac's products are primarily focussed on supporting IR Spectroscopy, an important analytical technique prevalent in both research and commercial-industrial labs.

Current amount invested	650,000	Year ended	31 March 2016
Aggregate amount invested	650,000	Sales	7,897,416*
Current investment value	1,670,761	Profit/(loss) before tax	548,797*
Proceeds received	84,624	Net assets/(liabilities)	935,504*
Equity/voting rights	18.7%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	5.2%

\* These figures are extracted from the Specac International Limited consolidated annual report and financial statements for the year ended 31 March 2016.

**Autologic Diagnostics Group Limited**

Founded in 1999 and develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. As cars have become increasingly sophisticated and more reliant on electronic systems, mechanics need to be able to communicate to the in-car computer running the process or system, which in turn requires a diagnostic tool. Autologic Diagnostics Group supplies its 'Autologic' product for use with well-known car brands including Land Rover, BMW, Mercedes, Jaguar, VAG (VW, Audi, Skoda) and Porsche. Management continues to develop a business model to generate recurring revenues through a new service-orientated product.

Current amount invested	2,488,966	Year ended	31 December 2015
Aggregate amount invested	2,488,966	Sales	18,980,000*
Current investment value	1,585,828	Profit/(loss) before tax	(4,493,000)*
Proceeds received	4,273,189	Net assets/(liabilities)	(7,427,000)*
Equity/voting rights	5.4%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	5.0%

\* These figures are extracted from the Autologic Diagnostics Group Limited consolidated annual report and financial statements for the year ended 31 December 2015.

**Mplsystems Limited**

An award-winning provider of Contact Centre, Customer Service CRM and Field Service Management technology and are experts in building solutions around complex business processes. For the last decade, MPL has helped contact centres across Europe transform efficiency and customer experience and has become one of the most respected companies in the contact centre space. MPL is considered to be a leader in omni-channel customer care with its uniquely configurable unified agent desktop and innovative features.

Current amount invested	1,834,320	Year ended	31 May 2016
Aggregate amount invested	1,834,320	Sales	-*
Current investment value	1,411,221	Profit/(loss) before tax	-*
Proceeds received	-	Net assets/(liabilities)	255,000
Equity/voting rights	22.07%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	4.4%

\* Mplsystems Limited filed abbreviated accounts which do not include this information.

**Procam Television Holdings Limited**

One of the UK's leading broadcast hire companies, supplying equipment and crew for location TV production. Clients include major broadcasters and production companies, including the BBC, ITV, Two Four, Objective and Monkey Kingdom. Funds managed by Foresight and Foresight Group backed an MBO of the business in 2013. Procam has recently expanded in the United States, with a New York operation, and is broadening its range of services, now including lens servicing and lens products through subsidiary True Lens Services.

Current amount invested	423,608	Year ended	31 December 2015
Aggregate amount invested	423,608	Sales	11,453,990*
Current investment value	897,213	Profit/(loss) before tax	84,722*
Proceeds received	-	Net assets/(liabilities)	365,951*
Equity/voting rights	7.31%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	2.8%

\* These figures are extracted from the Procam Television Holdings Limited consolidated annual report and financial statements for the year ended 31 December 2015.

<b>ICA Group Limited</b>			
ICA is a document management solutions provider in the South East of England. Its core business is reselling and maintaining Ricoh and Toshiba office printing equipment to SMEs in the commercial and public sectors.			
Current amount invested	670,884	Year ended	31 January 2016
Aggregate amount invested	1,000,000	Sales	-*
Current investment value	880,894	Profit/(loss) before tax	-*
Proceeds received	904,673	Net assets/(liabilities)	1,653,593
Equity/voting rights	25.97%		
Valuation methodology	Discounted price/earnings multiple	Percentage of F3 investment portfolio	2.8%

\* ICA Group Limited filed abbreviated accounts which do not include this information.

## PART VII

### PRO FORMA FINANCIAL INFORMATION

#### ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The following is the full text of the report from Scott-Moncrieff to the Directors and Proposed Director and BDO LLP:

The Directors and Proposed Director  
Foresight 4 VCT plc  
The Shard  
32 London Bridge Street  
London SE1 9SG

BDO LLP  
55 Baker Street  
London  
W1U 7EU

19 May 2017

Dear Sirs

#### **Foresight 4 VCT plc (the "Company")**

#### **Foresight 3 VCT plc ("F3")**

#### **The Company and F3, together the "Group"**

We report on the pro forma financial information (the "Pro forma Financial Information") set out in VII of the prospectus dated 19 May 2017 (the "Prospectus") of Foresight 4 VCT plc, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Merger (as defined in the Prospectus), taking into account the Special Dividend and the Offer, might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the six month period ending 30 September 2016. This report is required by item 20.2 of Annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, or consenting to its inclusion in the Prospectus.

#### **Responsibilities**

It is the responsibility of the directors of the Company and the proposed director of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I of the PD Regulation consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor

do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

### **Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

**Scott-Moncrieff**

## PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information on the Company has been prepared, to show the impact of the Merger, the Special Dividend and the Offer on the Company's unaudited net assets as at 30 September 2016 on the basis that the Merger and the acquisition of the investment portfolio and all of the other assets and liabilities of F3 by the Company had been completed, the Special Dividend had been paid and the Offer had been fully subscribed on that date. This pro forma financial information has been prepared in a manner consistent with the accounting policies of the Company and F3 as adopted in their last published accounts.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results:

	Adjustments				Enlarged Company pro forma (£'000) (Note 5)
	Company (£'000) (Note 1)	Acquisition of the assets and liabilities of F3 (£'000) (Note 2)	Expenses of the Merger (£'000) (Note 3)	Other adjustments (Note 4)	
Investments (at fair value)	39,410	30,219			69,629
Debtors	888	1,370			2,258
Other current assets	1,236	-			1,236
Cash at bank and in hand	193	28		100,000	100,221
Creditors: amounts falling due within one year	(49)	(49)	(400)	(9,706)	(10,204)
Net current assets	2,268	1,349	(400)	90,294	93,511
<b>Net assets</b>	<b>41,678</b>	<b>31,568</b>	<b>(400)</b>	<b>90,294</b>	<b>163,140</b>

### Notes:

1. The financial information on the Company has been extracted without material adjustment from the Company's unaudited half-yearly report for the six month period ended 30 September 2016 as incorporated into this document in Part V of this document.
2. The acquired assets and liabilities of F3 are the assets and liabilities of F3 as extracted without material adjustment from F3's half-yearly report for the six month period ended 30 September 2016 as incorporated into this document in Part V of this document.
3. Total costs of approximately £400,000 (inclusive of VAT) are expected to be incurred in relation to the Merger and will be borne by the Companies by their respective merger net assets (ignoring merger costs).
4. The gross proceeds (assuming full subscription and utilisation in full of the over-allotment facility by Director Investors only) expected to be raised under the Offer is £100 million. On the same basis, the Offer costs, ignoring trail commission, are expected to be a maximum of £5,500,000. The Special Dividend (assuming 105,161,597 Shares in issue following the Merger) is expected to be, in aggregate, £4,206,464. Further adjustments have been made to reflect the Offer and the Special Dividend on this basis.
5. The pro forma statement of net assets of the Company does not take account of any transactions of the Companies or other changes in the value of the assets and liabilities of the Companies since 30 September 2016.

## PART VIII

### TAXATION

#### TAX POSITION OF INVESTORS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

VCT tax reliefs in respect of an investment in Offer Shares will be dependent on personal circumstance. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000 (including shares purchased in the secondary market). Qualifying Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

The tax reliefs set out below are available to individuals aged 18 or over.

#### 1. Tax reliefs

##### (a) Income tax

###### (i) Relief from income tax on investment

A Qualifying Investor subscribing for Offer Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

The relief is given at the rate of 30% on the amount subscribed for VCT shares regardless of whether the Qualifying Investor is a higher rate, additional rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the Qualifying Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

###### (ii) Dividend relief

A Qualifying Investor, who acquires shares in VCTs in any tax year costing up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

###### (iii) Purchases in the market

A Qualifying Investor who purchases existing shares in the market will be entitled to claim dividend relief (as described in paragraph 1(a)(ii) above) but not relief from income tax on investment (as described in paragraph 1(a)(i) above).

###### (iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed below.

Dividend relief ceases to be available if the VCT loses its approval within this period, as detailed below, or if shares are no longer owned by a Qualifying Investor.

##### (b) Capital gains tax

###### (i) Relief from capital gains tax on the disposal of VCT shares

A disposal by a Qualifying Investor of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year and does not apply where VCT shares were issued after 5 April 2014 and are repurchased by the VCT directly from the shareholder within three years of issue.

(ii) *Purchases in the market*

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph b(i) above).

**(c) Acquisition and disposal of shares in the same VCT**

The disposal of existing shares in a VCT within six months before or after subscription for new shares in the same VCT (or otherwise where the acquisition and subscription is linked) will result in the amount of the investment in the new shares in the VCT to which VCT tax reliefs are available being reduced by an amount equal to the proceeds received on the disposal.

**(d) Loss of VCT approval**

For a company to be fully approved as a VCT, it must meet the various requirements as set out below.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

**2. Illustration of effect of tax relief for Qualifying Investors**

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	<b>Effective Cost</b>	<b>Tax Relief</b>
Investors unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor (higher rate tax payer) able to claim full 30% income tax relief	£7,000	£3,000

The combined effect of the initial income tax relief, tax-free dividends and tax-free capital growth can substantially improve the net returns of an investor in a VCT.

**3. Obtaining tax reliefs**

The Companies will provide to each Qualifying Investor a certificate which Qualifying Investors may use to claim income tax relief, either by obtaining from HMRC an adjustment to their tax coding under the PAYE system or by waiting until the end of the tax year and using their tax return to claim relief.

**4. Investors not resident in the UK**

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

**5. Taxation consequences in respect of the Merger**

The receipt by F3 Shareholders of Consideration Shares should not constitute a disposal of their F3 Shares for UK tax purposes. F3 Shareholders should, for UK tax purposes, effectively be able to treat the Consideration Shares received pursuant to the Scheme as if they had been acquired at the same date and at the same cost as the original F3 Shares. Any up-front income tax relief attaching to the original F3 Shares will not, therefore, be subject to clawback, but instead will be transferred to the New Shares. As the Company is also a VCT, the usual VCT tax reliefs should continue to apply. As a result, qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of Shares.

For F3 Shareholders holding (together with their associates) more than 5% of the F3 Shares in issue, clearance has been obtained from HMRC in terms of section 138 of TCGA 1992 that the tax treatment described above for persons who (together with their associates) own less than 5% of the F3 Shares should also apply to them.

Dissenting F3 Shareholders whose holdings are purchased by the Liquidator shall be treated as having disposed of their existing F3 Shares and will be subject to clawback of any up-front income tax relief received on the original subscription if the F3 Shares have not been held for the requisite holding period to maintain such relief. Any previous deferred capital gains on original subscription will also become chargeable to capital gains tax. F3 should still at that time retain the benefit of VCT status and the dissenting F3 Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal.

The implementation of the Scheme should neither affect the reliefs obtained by Shareholders on subscription for existing Shares nor affect the status of the Company as a VCT.

Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of F3 (which form part of the merger costs), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making and holding an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

Clearance has been obtained from HMRC in respect of the Scheme under section 701 ITA 2007 and section 138 of TCGA 1992. With regard to the former, the receipt of Consideration Shares should, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation. Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by F3 Shareholders of Consideration Shares should not prejudice tax reliefs obtained by F3 Shareholders on existing F3 Shares and should not be regarded as a disposal.

## TAX POSITION OF THE COMPANY

### 1. Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by VCT Value of its investments in shares in Qualifying Investments, 70% of which must be eligible shares (30% for funds raised before 6 April 2011);
- (e) have at least 10% by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15% by VCT Value of its investments, at the time of making an investment, in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (g) not retain more than 15% of its income derived from shares and securities in any accounting period;
- (h) not make any non-Qualifying Investment other than those specified in section 274 of ITA 2007;
- (i) not, in respect of any share capital created on or after 6 April 2014, and any reserves created from the cancellation thereof, make any payment out of such share capital and reserves to shareholders within three years from the end of the accounting period in which that share capital was created.
- (j) not invest in a company or group which causes the company or group to receive more than £5 million of state aid investment in the 12 months ending on the date of that investment;
- (k) not invest in a company or group which causes that company or group to receive more than £12 million (£20 million for 'knowledge intensive' companies) of state aid during its lifetime; and
- (l) invest in companies where the first state aid investment was before seven years (ten years for 'knowledge intensive' companies) of the first commercial sale in respect of the relevant trade, save for in certain limited circumstances where the funds are to be used in connection with a new product or geographical market.

Conditions (j) to (l) do not apply to investments in shares listed on a recognised stock exchange or to certain investment funds/vehicles.

The approved status of a VCT may also be affected where an investee company uses any funds from a VCT investment to acquire another company or trade in the five years after that investment.

The term 'eligible shares' means ordinary shares which do not carry any rights to be redeemed or a preferential rights to assets on a winding-up or dividends (other than certain non-cumulative fixed preferential rights).

### 2. Qualifying investments

A qualifying investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapters 3 and 4 of Part 6 of ITA 2007.

The conditions are detailed, but include the following:

- (i) the investee company must be a Qualifying Company;
- (ii) have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment;
- (iii) apply the money raised for the purposes of a qualifying trade within certain time periods;

- (iv) not be controlled by another company;
- (v) have fewer than 250 full-time (or full-time equivalent) employees (500 in the case of 'knowledge intensive' companies);
- (vi) at the time of the VCT investment not obtain more than £5 million of state aid investment in any rolling 12 month period and £12 million of state aid investment (£20 million for 'knowledge intensive' companies) during its lifetime;
- (vii) the first commercial sale was not more than seven years (ten years for 'knowledge intensive' companies) prior to the first state aid investment in respect of the relevant trade, save for in certain limited circumstances where the funds are to be used in connection with a new product or geographical market; and
- (viii) not use the VCT funds to acquire shares in another company, another business or trade or provide a return of capital to existing shareholders.

From 6 April 2012 there is a 'disqualifying purpose' test under which an investment will not be a qualifying investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business.

### **3. Qualifying companies**

A Qualifying Company must be unquoted (for VCT purposes companies whose shares are traded on the AIM markets are considered to be unquoted) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

The company must have a permanent establishment in the UK, but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51% owned.

### **4. Approval as a VCT**

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

However, to aid the launch of a VCT, HMRC may give provisional approval if satisfied that conditions (b), (c), (f) and (g) in paragraph 1 above will be met throughout the current or subsequent accounting period and condition (d) in paragraph 1 above will be met in relation to an accounting period commencing no later than three years after the date of provisional approval.

### **5. Withdrawal of approval**

Approval of a VCT (full or provisional) may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

Withdrawal of provisional approval has effect as if provisional approval had never been given (including the requirement to pay corporation tax on prior gains).

## **6. Unlawful State Aid**

Investments made by VCTs in underlying portfolio companies are regarded as state aided. Where the European Commission believes that state aid has been provided which is unlawful, in particular if it is not consistent with the Risk Finance Guidelines, it may require the Government to recover that state aid. Such recovery may be from the investee company, the VCT or the VCT's investors.

**The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.**

## PART IX

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 3 February 1998 with registered number 03506579 and the name Advent 2 VCT plc. The Company changed its name to Foresight 4 VCT plc on 4 August 2004. The principal legislation under which the Company operates is CA 2006 (and regulations made thereunder). The Company is domiciled in England. The Company is not regulated by the FCA or an equivalent European Economic Area regulator, but it is subject to regulation by HMRC under the VCT rules in order to qualify as a VCT.
- 1.2 On 5 February 1998, the Registrar of Companies issued the Company with a trading certificate under section 117 of CA 1985 (now section 761 of CA 2006) entitling it to commence business.
- 1.3 The Company's registered office is at The Shard, 32 London Bridge Street, London SE1 9SG. The Company does not have, nor has it had since incorporation, any subsidiaries or employees.
- 1.4 The Company revoked its status as an investment company under section 266 of CA 1985 (now section 833 of CA 2006) on 25 October 2000.
- 1.5 The International Securities Identification Number of the Shares is GB00B07YBS95. The Company's share capital comprises ordinary shares of 1 penny (GBP) each.
- 1.6 The Shares are, and the New Shares will be, admitted to the Official List of the UK Listing Authority.
- 1.7 The Company is not authorised by the FCA or an equivalent European Economic Area regulator. However the Company is an alternative investment fund for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU), has registered itself as a small alternative investment fund manager with the FCA and is subject to the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773). The Company is subject to the requirements of VCTs and, as an entity listed on the main market of the London Stock Exchange, the rules and regulations issued by the UKLA from time to time. The Company is not otherwise regulated.

#### 2. Share Capital

- 2.1 As at 18 May 2017 (being the latest practicable date prior to the publication of this document), the Company's share capital comprised 57,375,499 Shares (all of which were fully paid and none of which were held in treasury).
- 2.2 The issued share capital history of the Company since 31 March 2012 is as follows:
  - 2.2.1 During the year ended 31 March 2013, the Company issued 1,485,308 Shares and 193,264 C ordinary shares of 1p each and bought back 692,486 Shares. A total of 5,587,587 Shares were repurchased by the Company for 101.99p per share as part of the enhanced buyback scheme. As part of the transaction, 5,423,011 new Shares were issued at 105.2p per share. A total of 4,847,443 C ordinary shares of 1p each were repurchased by the Company for 97.26p per share as part of the enhanced buyback scheme. As part of the transaction, 4,705,821 new C ordinary shares of 1p each were issued at 100.3p per share. As at 31 March 2013, the issued share capital of the Company comprised 38,384,591 Shares and 18,744,740 C ordinary shares of 1p each, none of which were held in treasury.
  - 2.2.2 During the year ended 31 March 2014, the Company issued 401,724 Shares and bought back 150,000 Shares. A total of 2,277,357 Shares were repurchased by the Company for prices between 83.3p and 92.6p per share as part of the enhanced buyback scheme. As part of the transaction, 2,210,456 new Shares were issued at prices of between 85.8p and 95.4p per share. A total of 2,171,765 C ordinary shares of 1p each were repurchased by the Company for prices between 89.8p and 95.8p per share as part of the enhanced buyback scheme. As part of the transaction, 2,107,932 new C ordinary shares of 1p each were issued at prices of between 92.5p and 98.7p per share. As at 31 March 2014, the issued share capital of the Company comprised 38,569,414 Shares and 18,680,907 C ordinary shares of 1p each, none of which were held in treasury.

- 2.2.3 During the year ended 31 March 2015, no new Shares and the Company bought back 285,000 Shares. No C ordinary shares of 1p each were bought back during the period. As at 31 March 2015, the issued share capital of the Company comprised 38,284,414 Shares and 18,680,907 C ordinary shares of 1p each, none of which were held in treasury.
- 2.2.4 On 10 August 2016, the Shares and C ordinary shares of 1p each funds were merged, pursuant to which an aggregate of 19,101,896 Shares were issued or created on the conversion of all of the issued C ordinary shares of 1p each into Shares.
- 2.2.5 During the year ended 31 March 2016, the Company issued 423,717 Shares as part of a top-up offer made to C Shareholders, giving them the opportunity to reinvest dividend proceeds for new Shares, and bought back 434,528 Shares. As at 31 March 2016, the issued share capital of the Company comprised 57,375,499 Shares, none of which were held in treasury.
- 2.2.6 Since 31 March 2016, to 18 May 2017 (being the latest practicable date prior to the publication of the document), the Company has not issued or bought back any Shares.
- 2.3 The issued fully paid share capital of the Company immediately after the Offer has closed (assuming (i) 150 million Offer Shares are allotted by the Company (this being the maximum number of Offer Shares that may be issued pursuant to the Offer) and (ii) that 55 million Consideration Shares are issued pursuant to the Merger (this being the maximum number of Consideration Shares to be issued pursuant to the Merger), the issued share capital of the Company would be 262,375,499 Shares (none of which are expected to be held in treasury).
- 2.4 Save for the conditional right to subscribe for Shares pursuant to the carried interest agreement referred to at paragraph 6.1.2 below, there are no other shares or loan capital in the Company under option or agreed, conditionally or unconditionally, to be put under option.
- 2.5 The following resolutions were passed at the annual general meeting of the Company held on 30 September 2016:
- 2.5.1 That, in substitution for all previously existing authorities, the Directors were generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all the powers of the Company to allot Shares in the Company and to grant rights to subscribe for, or to convert any security into, Shares in the Company ("Rights") up to an aggregate nominal amount of £175,000, provided that such authority would expire (unless renewed, varied or revoked by the Company in a general meeting) on the fifth anniversary of the date of passing the resolution, save that the Company would be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors would be entitled to allot shares and grant Rights pursuant to any such an offer or agreement as if the authority had not expired.
- 2.5.2 That, in substitution for all previously existing authorities, the Company was empowered to make market purchases (within the meaning of section 693(4) of CA 2006) of its own Shares on such terms and in such manner as the Directors would from time to time determine provided that:
- (a) the aggregate number of Shares to be purchased should not exceed 8,600,587 or, if lower such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Company's Shares in issue as at the date of the passing of the resolution;
  - (b) the minimum price to be paid for a Share would be 1 pence (the nominal value thereof);
  - (c) the maximum price which to be paid for a Share would be the higher of (i) an amount equal to 105% of the average of the middle market quotation for a Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the shares are purchased; and (ii) the amount stipulated by Article 5(1) of the BuyBack and Stabilisation Regulation 2003;
  - (d) the authority conferred by the resolution would expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in the year 2017 or, if earlier, on the date falling 15 months after the passing of the resolution; and

- (e) the Company would be permitted to make a contract to purchase Shares under the authority prior to the expiry of such authority which would or might be executed wholly or partly after the expiration of such authority and would be permitted to make a purchase of shares pursuant to such contract.

2.6 The following resolutions of the Company will be proposed at the General Meeting of the Company to be held on 14 June 2017:

2.6.1 That, subject to the Scheme becoming unconditional:

- (a) the acquisition of the assets and liabilities of F3 on the terms set out in the Circular be approved; and
- (b) in addition to existing authorities, the directors of the Company be authorised in accordance with section 551 of CA 2006 to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £550,000 in connection with the Scheme provided that the authority conferred by this paragraph (b) shall expire on the fifth anniversary of the date of the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting).

2.6.2 That, in addition to existing authorities and the authority conferred by paragraph 2.6.1(b), the directors of the Company be and hereby are generally and unconditionally authorised in accordance with section 551 of CA 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,500,000, provided that, the authority so conferred shall expire (unless renewed, varied or revoked by the Company in general meeting) 18 months following the date of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares and grant rights pursuant to any such offer or agreement as if this authority had not expired.

2.6.3 That, in addition to existing authorities, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of CA 2006 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of CA 2006) for cash pursuant to the authority conferred or by way of a sale of treasury shares, as if section 561(1) of CA 2006 did not apply to such allotment, provided that the authority shall be limited to the allotment of equity securities with an aggregate value not exceeding £1,500,000 in connection with offer(s) for subscription where the proceeds may be used in whole or part to purchase shares in the capital of the Company, such authority conferred provided by this resolution shall expire (unless renewed, varied or revoked by the Company in general meeting) 18 months following the date of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares and grant rights pursuant to any such offer or agreement as if this authority had not expired.

2.6.4 That, in addition to existing authorities, the Company be generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of up to 8,500,000 ordinary shares of 1p in the capital of the Company by means of a tender offer to all holders of shares to purchase those shares at a price equal to 92.5% of the most recently published net asset value of a share as at the date of the purchase (rounded down to four decimal places), which fixed price shall, for the purposes of section 701(3)(b) of the Companies Act 2006, constitute both the maximum and the minimum price that may be paid for the shares purchased) and any shares bought back under this authority will be cancelled. The authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in general meeting) 18 months following the date of the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be purchased after the expiry and the directors shall be entitled to purchase shares pursuant to such offer or agreement as if this authority had not expired.

### **3. Memorandum and Articles of Association**

In this paragraph 3, reference to 'Directors' means the directors of the Company from time to time, reference to the 'Board' means the board of directors of the Company from time to time, reference to 'Group' means the Company and, if any, its subsidiaries from time to time, reference to 'Statutes' means CA 1985, CA 2006 and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under CA 1985 and CA 2006 and reference to 'Act' means CA 2006.

#### **Memorandum**

The Memorandum, which, by virtue of section 28 of CA 2006, is now treated as being part of the Articles, provides that the Company's principal object and purpose is to carry on the business of a VCT. The objects of the Company are set out in full in clause 4 of the Memorandum.

#### **Articles**

The following is a summary of the current Articles. Statutory references are subject to updates from time to time.

#### **3.1 Share capital**

- 3.1.1 Subject to the provisions of the Statutes and without prejudice to the rights attaching to any existing shares, any share may be issued with such preferred, deferred, or other special rights or such restrictions as the Company may from time to time by ordinary resolution determine or, if the Company has not so determined, as the Board may determine.
- 3.1.2 Subject to the provisions of CA 2006 relating to authority, pre-emption rights and otherwise, and to any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and on such terms as they think fit, provided that no share shall be issued at a discount.
- 3.1.3 The Company may from time to time by ordinary resolution increase, consolidate or subdivide their share capital.
- 3.1.4 The Company may issue shares which are liable to be redeemed on such terms and condition as the Directors may determine.
- 3.1.5 The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Statutes.
- 3.1.6 Subject to the provisions of the Statutes, the Company may purchase all or any of its shares of any class, including any redeemable shares and may hold such shares as treasury shares or cancel them.

#### **3.2 General Meetings**

##### *3.2.1 Convening of General Meetings*

An annual general meeting and any general meeting at which it is proposed to pass a special resolution or (except as provided by CA 2006) a resolution of which special notice has been given to the Company, must be called by at least 21 days notice in writing and any other general meeting by at least 14 days notice in writing. The period of notice must in each case be exclusive of the day in which the notice is served or deemed to be served and of the day in which the meeting is to be held provided that a general meeting shall, notwithstanding that it may have been called by a shorter notice than that specified above, be deemed to have been duly called if it is so agreed in accordance with CA 2006; provided also that the accidental omission to give notice to, or the non-receipt of notice by, any person entitled thereto shall not invalidate the proceedings at any general meeting.

##### *3.2.2 Notice of General Meetings*

- 3.2.2.1 Every notice calling a general meeting shall specify the place and the day, time and place of the meeting and the general nature of the business to be transacted. There shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to

attend and vote instead of him and that a proxy need not be a member. In the case of an annual general meeting, the notice shall also specify the meeting as such.

3.2.2.2 The Directors shall on the requisition of members in accordance with CA 2006 but subject as therein provided: (a) give to the members who would, if an annual general meeting were then to be held, be entitled to receive notice thereof notice of any resolution which may properly be moved and is intended to be moved at the meeting so requisitioned; and (b) circulate to such members any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution for the business to be dealt with at that meeting.

3.2.2.3 Pursuant to section 303 of CA 2006, the Directors must, on a members' requisition, forthwith proceed duly to convene a general meeting of the Company. A members requisition is a requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid up capital of the Company as at that date carries the right of voting at general meetings of the Company. For these purposes the Company's paid up capital held as treasury shares would be disregarded. The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form, each signed by one or more requisitionists. If the Directors do not within 28 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists or any of them representing more than one half of the total voting rights of all of them may themselves convene a meeting but any meeting so convened must not be held after the expiration of three months from that date. A meeting convened under this section by requisitionists must be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.

### 3.2.3 *Omission to Send Notice*

The accidental omission to send a notice of any meeting, or (where forms of proxy are sent out with notices) to send a form of proxy with a notice to any person entitled to receive the same, or the non-receipt of a notice of meeting or form of proxy by such a person, shall not invalidate the proceedings at the meeting.

### 3.2.4 *Quorum at General Meetings*

3.2.4.1 No business shall be transacted at any general meeting unless a quorum is present. Two members present in person (or by representative) or by proxy and entitled to vote shall be a quorum.

3.2.4.2 If within 15 minutes (or such longer period as the chairman may determine) from the time fixed for a meeting a quorum is not present or if during a meeting a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved and in any other case shall stand adjourned to such day and to such time (which must be not less than ten clear days thereafter) and place as may be determined by the chairman. At such adjourned meeting a quorum shall be two members present in person or by proxy and entitled to vote. If a quorum is not present within 15 minutes from the time fixed for holding the adjourned meeting or if during the adjourned meeting a quorum ceases to be present, the meeting shall be dissolved.

### 3.2.5 *Votes of Members*

3.2.5.1 Subject to any special rights which may apply to any class of shares that may have been issued or may from time to time be held, every member who is present in person, including any corporation present by its duly authorised representative, or by proxy, at a general meeting of the Company shall, on a show of hands, have one vote (save for a duly appointed proxy who, where instructed by one or more members to vote for the resolution (or given discretion as to how to vote) and by one or more members to vote against the resolution (or given discretion as to how to vote) shall have one vote for and one vote against the resolution. On a poll every member present in person or by proxy shall have one vote for each share of which he is a holder.

3.2.5.2 Where shares are held jointly, the vote of the senior who has tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members of each company in respect of the holding.

3.2.5.3 A member will lose his right to vote at a general meeting or at any separate meeting of the holders of any class of share, whether in person or by proxy, unless all calls presently payable by him in respect of those shares, together with interest and expenses (if any) have been paid in full to the Company, even where those shares are jointly held. The right to vote, together with all other rights and benefits of membership, will also be lost where the member (or any other person claiming to have an interest in such shares) has been issued with a notice pursuant to section 793 of CA 2006 (which requires the member or such other person to declare his interest in the shares) and has failed to give the required information to the Company within the prescribed period of 14 days.

### *3.2.6 Variation of Class Rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to CA 2006 be varied by the passing of a special resolution at a general meeting of such holders or, the written consent of holders of three quarters in nominal value of the issued shares of the affected class. At such a meeting the necessary quorum shall be at least two members of the class holding (or representing by proxy) not less than one third in nominal amount of the issued shares of that class and at an adjourned meeting one person (whether present in person or by proxy) holding shares of that class in question.

## **3.3 Disclosure of Interest in Shares**

Obligations of members to disclose to the Company notifiable interests in its shares are stated in Part 22 of CA 2006, sections 89A to 89L of FSMA and the Disclosure Guidance & Transparency Rules. In accordance with the Articles, failure by any member to provide the Company with the information as requested by any notice served in accordance with section 793 of CA 2006 may result in the member being restricted in respect of his shareholdings (and, inter alia, the withholding of any dividends payable to him).

## **3.4 Transfer of Shares**

### *3.4.1 Form of Transfer*

A member may transfer any or all of his shares by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer should be signed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. The transfer shall not become effective until the name of the transferee is entered into the register of members.

### *3.4.2 Right to Refuse Registration*

3.4.2.1 The Directors may in their absolute discretion, and without assigning any reason therefor, refuse to register any transfer of shares where the shares in question are not fully paid up where such refusal does not restrict dealings on an open and proper basis. The Directors may also decline to register any transfer of share (not being a fully paid share) on which the Company has a lien

3.4.2.2 The Directors may refuse to recognise an instrument of transfer unless the instrument of transfer is (a) in respect of only one class of share; (b) is in favour of not more than four transferees; and (c) is lodged at the transfer office accompanied by the relevant share certificates and any other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer

3.4.2.3 No transfer will be registered where a member, or any other person appearing to be interested in the shares held by him has been served with a notice under section 793 of CA 2006 and, at the end of the prescribed period, is in default in supplying the information thereby required provided that those shares represent at least 0.25%

(calculated exclusively of treasury shares) in nominal value of the issued shares of any class and subject to the exceptions specified in the Articles relating to the disclosure of interests. Restrictions on transfers do not apply to a sale to a bona fide, unconnected, third party.

### **3.5 Calls on and forfeiture of shares**

Subject to the terms of allotment, the Board may make calls on members for monies unpaid on any shares. If any call remains unpaid after the date for payment (being at least 14 clear days following the call) then the Board may, after giving not less than seven clear days' notice, forfeit such share and sell or transfer such forfeited shares on such terms and in such manner as the board may determine.

### **3.6 Dividends and Other Payments**

#### *3.6.1 Declaration of Dividends*

3.6.1.1 The Company may by ordinary resolution and subject to the provisions of CA 2006 and the Articles declare dividends to be paid to members according to their respective rights and interest in the profit of the Company, provided that no dividend shall exceed the amount recommended by the Directors.

3.6.1.2 The Directors may pay interim dividends and also any fixed rate if it appears to them that they are justified in so doing by the profits of the Company available for distribution.

#### *3.6.2 Entitlement to Dividends*

3.6.2.1 Except as otherwise provided by the rights that attach to any class of share, dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares in respect of which the dividend is paid (except where those amounts are paid up in advance of calls).

3.6.2.2 If any dividend remains unclaimed after a period of 12 years from the date of the declaration of that dividend, it shall be forfeited and shall revert to the Company.

3.6.2.3 The Directors may, with the prior authority of an ordinary resolution of the Company, subject to such terms and conditions as the Directors may determine, offer to holders of shares the right to elect to receive shares credited as fully paid, instead of the whole (or some part, to be determined by the Directors) of any dividend specified by the ordinary resolution.

### **3.7 Powers of the Board of Directors**

#### *3.7.1 General Power*

Subject as provided in the Articles and Statutes, the Board may exercise all the powers of the Company.

#### *3.7.2 Borrowing Powers*

3.7.2.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage and charge its undertaking, property and assets (present and future) and uncalled capital and, subject to CA 2006, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.7.2.2 The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only insofar as by such exercise the Directors can secure) that the aggregate amount for the time being outstanding of all borrowings by the group (excluding money owed by any member of the group to any other member of the group) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 0.5 times the Adjusted Capital and Reserves (as defined in 3.7.2.3 below).

3.7.2.3 The expression "Adjusted Capital and Reserves" means, as shown by a consolidation of the then latest audited balance sheet of the Company or (as the case may be) the then latest audited balance sheet of the group but subject to deductions and adjustments set out in the articles of association of the Company, a sum equal to the aggregate of (a) the amount paid up on the issued share capital of the Company; and (b) the amount standing to the credit of the capital and revenue reserves (or, if the Company has subsidiary undertakings, the consolidated capital and revenue reserves of the group) including without limitation any share premium account, capital redemption reserve, revaluation reserve, merger reserve and credit balance on profit and loss account.

### **3.8 Directors**

- 3.8.1 There shall be no less than three and not more than eight Directors in the Company (unless otherwise determined by ordinary resolution).
- 3.8.2 The Directors shall not be required to hold any shares in the Company by way of qualification.
- 3.8.3 Directors may be appointed by ordinary resolution. A director appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for election.
- 3.8.4 At each annual general meeting of the Company at least one third of the Directors (or, in the case of each Company if their number is not a multiple of three, then the nearest number to but not exceeding one third) shall retire from office by rotation. Subject to the provisions of CA 2006, the Directors to retire in each case shall be those who have been longest in office since their last election, provided that no Director holding office as an executive director as provided for in the articles of association of the Company will be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. Where two or more people were last reappointed on the same day, those who retire shall, unless they otherwise agree among themselves, be determined by lot. Any Director appointed by the Directors shall hold office only until the next annual general meeting, when he shall be eligible for re-election, but shall not be taken into account in determining the Directors to retire by rotation at the meeting.
- 3.8.5 A director may be removed from office by an ordinary resolution of the Company, subject to a special notice being given in accordance with the Statutes.
- 3.8.6 Any Director (other than an alternate Director) may appoint another Director or any other person approved by the Board and willing to act, to be an alternate Director and may at any time terminate that appointment.
- 3.8.7 The Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Directors, shall in their discretion determine save that the maximum aggregate remuneration does not exceed £90,000 per annum (unless approved by ordinary resolution). The Directors are entitled to be repaid all such reasonable expenses as they may incur in attending or returning from any meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the discharge of their duties as Directors.
- 3.8.8 The Directors may purchase and maintain insurance for, or for the benefit of, any persons who are or were Directors, officers or employees of the Company or of any other company which is a subsidiary undertaking of the Company or in which the Company has an interest, whether direct or indirect including without limitation insurance in relation to duties, power or offices in relation to any pension fund or employees share scheme.

### **3.9 Proceedings of the Board**

#### *3.9.1 Quorum*

The Board may meet, adjourn and regulate its meetings as it sees fit. The quorum necessary for the transaction of business of the Board may be fixed by the Board and unless so fixed shall be two.

### 3.9.2 Voting

Questions arising at board meetings are decided by a majority vote. In the event of a tie, the chairman shall have a second or casting vote.

### 3.10 Directors' Interests

- 3.10.1 Subject to CA 2006 and provided that he declares the nature of his interest at a meeting of the Directors, a Director may be interested directly or indirectly in any contract or arrangement or in any proposed contract or arrangement with the Company or with any other company in which the Company may be interested.
- 3.10.2 A Director shall not vote or be counted in the quorum in relation to any resolution concerning any contracts, arrangements, transactions or any other proposal whatsoever to which the Company is or are to be a party and in which he has an interest which is, to his knowledge, a material interest unless the resolution concerns any of the following matters:
- 3.10.2.1 the giving to him or any other person of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of their subsidiary undertakings;
- 3.10.2.2 the giving to any third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- 3.10.2.3 any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or any underwriting or sub-writing of which he is to participate;
- 3.10.2.4 any proposal concerning any other company in which he is interested directly, or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he does not hold an interest (as the term is used in Part VI of CA 2006) representing one% or more of either any class of the equity share capital of such company or of the voting rights available to members of such company;
- 3.10.2.5 any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit;
- 3.10.2.6 any proposal relating to any scheme of arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- 3.10.2.7 any proposal concerning insurance which the Company propose to maintain or purchase for the benefit of Directors or for the benefit of persons who include the Directors.
- 3.10.3 The Board may authorise, to the fullest extent permitted by law, and on such terms and conditions as it thinks fit:
- 3.10.4 any matter which would or might otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest;
- 3.10.5 a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with either before or at the time the conflict of interest arises;
- 3.10.6 provided that the authorisation is passed at a meeting where such is effective without the Director in question and any other interested Director being counted in the quorum or voting at the meeting at which the conflict of interest is authorised.

3.10.7 Where any such matter is authorised by the Board, the Director shall not be required to disclose any confidential information relating to such other office, employment or position and shall not be accountable to the Company for any benefit which he derives from such matter.

### **3.11 Untraced Members**

3.11.1 The Company shall be entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission if and provided that:

3.11.1.1 during a period of 12 years at least three dividends (whether interim or final) have been paid in relation to such shares and no such dividends have been claimed; and

3.11.1.2 the Company has on or before the expiry of the said period of 12 years inserted advertisements in a national newspaper and a local newspaper circulated in the area of the member or former member's last known address giving notice of its intention to sell the shares; and

3.11.1.3 during the same period of 12 years and the period of three months following the publication of such advertisements the Company have not received indication either of the whereabouts nor of the existence of such member or person.

3.11.2 The net proceeds of sale will belong to the Company which shall account to the former member or other person entitled to the proceeds for the amount received, however, no trust shall be created in respect of the debt, no interest is payable on the amount of the debt and the Company shall not be required to account for any money earned on the net proceeds.

### **3.12 Distribution of Realised Capital Profits**

As long as the Company has given notice in the prescribed form to the Registrar of Companies of its intention to carry on business as investment company ("a relevant period") the Company shall be prohibited from distributing any capital profits (within the meaning of section 833(2) (c) of CA 2006, otherwise than to the extent that the requirements for investment company status under CA 2006 do not require a company to prohibit the distribution of capital profits. The Directors will establish a reserve to be called the capital reserve and during a relevant period all surpluses arising from the realisation or revaluation of investments or deriving from the realisation, payment off of or other dealing with any capital asset in excess of the book value of that asset shall be credited to the capital reserve. Subject to CA 2006, the Directors may determine whether any amount received by the Company is to be dealt with as income or capital, or partly one way and partly the other. During a relevant period, any loss realised on the realisation or payment off of other dealing with any investment or other capital assets and subject to CA 2006 any expenses, liability, loss (or provision therefor) which the Directors consider to relate to a capital item or which they otherwise consider appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. During a relevant period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to the credit of any revenue reserve are applicable except that no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be treated as profits of the Company available for distribution (as defined by section 833(2)(c) of CA 2006 ) or be applied in paying dividends on any shares of the Company. In any other period other than a relevant period, any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined in section 833(2)(c) of CA 2006) or be applied in paying dividends of any shares of the Company.

### **3.13 Transfer or Sale under section 110, Insolvency Act 1986**

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to section 110 of IA 1986 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on the members, subject to the right of dissent and consequential rights conferred by said section.

### 3.14 Winding-Up and Duration of the Company

In order for the future of the Company to be considered by the members, the Directors of that Company shall procure that a resolution will be proposed at the annual general meeting of the Company falling after the fifth anniversary of the final allotment of shares in the Company, and thereafter at five yearly intervals, to the effect that the Company shall continue as a venture capital trust. On any voluntary winding-up of the Company, the liquidator may, with the sanction of an extraordinary resolution and any other sanctions required by 1A 1986, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

### 3.15 Uncertificated Shares

The Directors may make such arrangements as they see fit, subject to CA 2006, to deal with the transfer, allotment and holding of shares in uncertificated form and related issues.

### 3.16 Indemnity and Insurance

3.16.1 The Company shall indemnify the Directors to the extent permitted by law and may take out and maintain insurance for the benefit of the Directors.

## 4. Material Shareholders, Directors and their Interests

- 4.1 The Company is not aware of any person who has, or immediately following the issue of the New Shares pursuant to the Scheme and Offer will have, a direct or indirect interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure Guidance & Transparency Rules of the FCA, a holding of 3% or more must be notified to the Company).
- 4.2 As at 18 May 2017 (this being the latest practicable date prior to the publication of this document), the interests of the Directors (and their immediate families) and the directors of F3 in the issued share capital of the Company and F3 were as follows:

	Company Percentage of issued voting share capital		F3 Percentage of issued share capital	
	Shares	(%)	F3 Shares	(%)
Simon Jamieson	25,000	0.04	-	-
Peter Dicks	54,050	0.09	40,707	0.07
Michael Gray	-	-	-	-
Raymond Abbott	10,744*	0.02	24,316**	0.04
Tom Maxwell	-	-	7,722	0.01

(\* These Shares are held by Raymond Abbott's wife.)

(\*\* 24,440 of the F3 Shares are held through an Alliance Trust account.)

In addition, the Directors and the Proposed Director intend to subscribe for, in aggregate, £65,000 under the Offer.

- 4.3 As at 18 May 2017 (this being the latest practicable date prior to the publication of this document) save as disclosed above, no Director, his family or any person connected to the Director within the meaning of section 252 of CA 2006 has any interest in the share or loan capital of the Company.
- 4.4 Aggregate Directors' emoluments for the current financial year (assuming the merger does not take place) are expected to be £71,500 (excluding applicable employer's National Insurance Contributions and VAT) whilst details of Directors' emoluments for the year ended 31 March 2017 are in the table below.

4.5 Details of the Directors' appointments are as follows:

<b>Director</b>	<b>Date of appointment</b>	<b>Date of appointment Letter*</b>	<b>Remuneration for the year ended 31 March 2017*** (£)</b>	<b>Expected remuneration for the year ended 31 March 2018*** (£)</b>
Simon Jamieson	3 October 2014	1 April 2015	22,000	27,500
Peter Dicks	30 July 2004	1 April 2015	22,000	22,000
Michael Gray	14 February 2017	16 February 2017	2,395	22,000
Philip Stephens****	4 February 1998	1 April 2015	27,500	-

\* No Director has a service contract with the Company. The Directors have been appointed pursuant to appointment letters. The appointments can be terminated without notice. The Directors entered into new appointment letters on 1 April 2015 due to legislative changes.

\*\* No arrangements have been entered into by the Company entitling the Directors to compensation for loss of office nor have any amounts been set aside to provide pension, retirement or similar benefits.

\*\*\* Exclusive of applicable employer's National Insurance Contributions and VAT. The expected remuneration for the year ended 31 March 2018 assumes that the Merger does not take place.

\*\*\*\* Philip Stephens stepped down as a director of the Company on 31 March 2017.

Assuming the Merger is effected, Peter Dicks will step down as a director of the Company and Raymond Abbott will be appointed as a director of the Company with Raymond Abbott taking over as chairman. The appointment will be pursuant to an appointment letter on similar terms as the current Directors, with an annual remuneration of £27,500 for Raymond Abbott. Simon Jamieson's annual remuneration will revert back to £22,000 when Raymond Abbott takes over as chairman.

- 4.6 Save in respect of Peter Dicks, who is a director of both Companies and a number of other funds (including other VCTs) managed by Foresight and/or Foresight Group (and as a result having potential conflicts in relation to investment and divestment opportunities proposed in relation to the Company and one or more other funds), there are no potential conflicts of interest between the duties of any Director as a director of the Company and their private interests and/or duties.
- 4.7 No loan or guarantee has been granted or provided to or for the benefit of any of the Directors.
- 4.8 The Company has taken out directors' and officers' liability insurance for the benefit of its Directors, which is renewable on an annual basis.
- 4.9 The Directors and the Proposed Director are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below:

<b>Director</b>	<b>Current</b>	<b>Past five years</b>
Simon Jamieson	Blue Bird Holding Ltd F4 Sacred Heart Swaffham Ltd	FF&P 2003 Investor 1 LLP FF&P 2003 Investor 14 LLP FF&P 2007 Investor 40 LLP IBIS Media VCT 1 plc (in liquidation) Simon Jamieson Partners LLP (dissolved)* Stonehage Fleming Investment Management Limited
Peter Dicks	Alchemy VR Ltd Foresight VCT plc Foresight 2 VCT plc (in liquidation)	Daniel Stewart Securities plc Foresight 5 VCT plc (dissolved) Foresight Clearwater VCT plc (dissolved)

	F3	GFT Dealing Limited
	F4	(dissolved)*
	ICG Enterprise Trust plc	Miton Income Opportunities
	Interactive Investor plc	Trust PLC (dissolved)
	Mears Group plc	PCT Finance Limited
	Mercia Fund 1 General Partner Limited	(dissolved)*
	MITON UK Microcap Trust plc	Polar Capital Technology Trust plc
	R L Products Limited	Private Equity Investor plc
	SVM UK Emerging Fund plc	Second London American Trust PLC (dissolved)
	Unicorn AIM VCT plc	Sportingbet Limited
Michael Gray	F4	Triton Debt Opportunities Managers Limited
	GCP Infrastructure Investments Limited	TFF Limited
	J- Star Jersey Company Limited	TFF IV Limited
	MMG Consulting Limited	Triton Managers Limited
	Triton Investment Management Limited	Triton Managers II Limited
		Triton Managers III Limited
		Triton Managers IV Limited
		Triton Value Managers Limited
		Triton Value Fund Limited
Raymond Abbott	F3	Essex Group Holdings Limited
	Integrated Environmental Solutions Limited	Essex Services Group plc
	SBS Mortgages Limited	F4
		Galleria Holdings Limited

4.10 Neither the Directors nor the Proposed Director have any convictions in relation to fraudulent offences during the previous five years.

4.11 Save for those companies which have an asterisk next to their name in the table above, which are all companies that have voluntarily been struck off from the Register of Companies, and save as disclosed in this paragraph, there were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors (or the Proposed Director) were acting as (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability, in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years.

4.11.1 Simon Jamieson was a director of IBIS Media VCT 1 plc until September 2014. IBIS Media VCT plc was subsequently placed into voluntary members' liquidation on 18 January 2017 for the purposes of maximising returns to shareholders by exiting the VCT's remaining portfolio whilst minimising the costs of being a listed company.

4.11.2 Peter Dicks was a director of Second London American Trust plc which was placed in members' voluntary liquidation prior to being dissolved on 26 July 2013. He was also a director of Foresight 5 VCT plc and Foresight Clearwater VCT plc which are both former VCTs and which were placed in members' voluntary liquidation pursuant to schemes of reconstruction under section 110 of the Insolvency Act 1986 prior to both companies being dissolved on 19 September 2013. In addition, Peter Dicks was a director of Miton Income Opportunities Trust plc which was placed into members' voluntary liquidation on 30 September 2013 prior to being dissolved on 10 January 2015, and is a director of Foresight 2 VCT plc which was placed into voluntary members' liquidation in December 2015 pursuant to a merger with Foresight VCT plc under section 110 of the Insolvency Act 1986.

4.12 There have been no official public incriminations and/or sanctions of any Directors or the Proposed Director by statutory or regulatory authorities (including designated professional bodies) and no Director or the Proposed Director have ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

## **5. Overseas Shareholders**

5.1 The issue of New Shares to be issued to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Company shareholders should inform themselves about and observe any legal requirements. In particular:

- (a) none of the New Shares to be issued have been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan, South Africa or New Zealand;
- (b) the Company is not registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of that Act; and
- (c) no offer is being made, directly, under the merger, in or into or by the use of emails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) or interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or New Zealand. It is the responsibility of F3 Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of Consideration Shares pursuant to the Scheme, including the obtaining of any government or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

## **6. Material Contracts**

6.1 Save as disclosed in this paragraph 6.1, the Company has not entered into, other than in the ordinary course of business, any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

6.1.1 An investment management agreement dated 30 July 2004 between the Company (1), Foresight Group (2) and Foresight Fund Managers (3) (as amended and supplemented from time to time by those parties and as novated from Foresight Group to Foresight pursuant to a novation agreement dated 19 December 2011 between those parties and Foresight) pursuant to which Foresight provides investment management and administration (including secretarial, accounting and custodian) services to the Company.

The appointment may be terminated by not less than one year's notice in writing by either party. The appointment may also be terminated in circumstances of material breach by the Company or Foresight (or its delegates and subcontractors) or by the Company if Foresight is no longer authorised by the Guernsey Financial Services Commission to provide such services. The Company may appoint other parties in substitution of Foresight as investment adviser or manager in respect of the whole or part of the Company's investment portfolio if it believes that this is necessary to preserve the status of the Company as a VCT.

Foresight has, as is permitted, and as approved by the Board, under the agreement, appointed Foresight Group to provide investment advisory services to Foresight for the purposes of fulfilment of the provision of investment management obligations to the Company under the agreement and has sub-contracted the provision of administration services to Foresight Group. Foresight Group has delegated the provision of administration services to Foresight Fund Managers, which is also the appointed Company secretary. Foresight Fund Managers is a wholly owned subsidiary of Foresight Group, which is a subsidiary undertaking of Foresight. Foresight Group is authorised and regulated in the UK by the Financial Conduct Authority.

Foresight remains responsible for the services provided by a delegate or subcontractor. Foresight Group has also provided a guarantee under the agreement in respect of the obligations of Foresight.

Foresight receives an annual management fee of an amount equal to 2.25% (originally 2.5%) of the net assets of the Company, calculated and payable quarterly in advance, together with any applicable VAT thereon in respect of investment management services. Foresight also receives an annual administration fee of an amount equal to 0.3% of funds raised (including assets acquired) by the Company, subject to a cap of £150,000, annually uplifted for RPI and subject to VAT. The current annual fee is approximately £157,000.

The normal annual expenses of the Company are capped at an amount equal to 3.5% of the Company's net assets. Any excess over this amount will be borne by Foresight. Normal annual expenses include the annual expenses of the Company incurred in its ordinary course of business, the annual investment management and administration fees, directors' remuneration, normal fees payable to the Company's registrars, stockbroker, auditors, solicitors and VCT status advisers and annual trail commission. It does not include any irrecoverable VAT, performance incentive fees or exceptional items.

The agreement contains provisions indemnifying Foresight against any liability not due to its default, negligence, fraud or breach of financial services regulatory requirements.

Foresight (and its group companies) may retain any arrangement, transaction, exit and directors' fees which it receives in connection with an investment made by the Company subject to certain limits or otherwise as approved by the Board.

Foresight will continue to provide investment management and administration services to the Company following the merger on the same basis as above, save as set out in paragraph 6.2.3 below.

- 6.1.2 A carried interest agreement dated 11 January 2011 between the Company (1) and Foresight Group (2) pursuant to which Foresight Group is entitled to a performance incentive fee equal in value to 15% of dividends paid to Shareholders, subject to the net asset value plus cumulative dividends paid per Share (paid on or after 11 January 2011) exceeding 100.0p per Share ("High Watermark"), both immediately before and immediately after the performance related incentive fee is paid. After each distribution is made to Shareholders where a performance incentive is paid to Foresight Group, the High Watermark required to be achieved by the Company to trigger a performance incentive fee will be amended to take account of the dividend paid (net of the performance incentive fee payment made to Foresight Group). The High Watermark is currently 108.5p. The fee can be paid in cash or through triggering a conditional right to subscribe for Shares.
- 6.1.3 A side letter dated 18 May 2017 from Foresight to the Companies in relation to the investment management agreement referred to at paragraph 6.1.1 pursuant to which Foresight has agreed to make a contribution to the Merger costs through a one-off reduction to its management fee of £100,000 in respect of the Enlarged Company. Foresight has agreed to make this contribution even if the Merger does not proceed to completion, in which case the contribution will be apportioned between the Companies on a pro rata to net assets basis.
- 6.1.4 A letter of engagement dated 22 September 2016 between BDO LLP (1) and the Company (2) pursuant to which BDO LLP has been appointed as sponsor to the Company for the purposes of the Merger and the Offer. The letter contains warranties and representations given by the Company to BDO in connection with the Prospectus. The engagement in relation may be terminated if any statement in the Prospectus is untrue or any material omission from the Prospectus arises. The fees payable to BDO LLP are part of the estimated costs of the Merger and the Offer.

- 6.1.5 A promoter's agreement dated 18 May 2017 between the Company (1), the Directors (2) and Foresight Group (3) whereby Foresight Group has agreed to act as promoter in connection with the Offer. The agreement contains warranties and indemnities given by the Company to Foresight Group. The Company will pay to Foresight Group a promoter's fee of 2.5% of the amount subscribed by Retail Client Investors, Professional Client Investors and Execution-Only Investors and 5.5% of the amount subscribed by Direct Investors. In consideration of the promoter's fee, Foresight Group has agreed to meet all costs, expenses and charges of, or incidental to, the Offer (other than intermediary commissions (payable by the Company) and adviser charges (payable by the investor, save that up-front adviser charges may be facilitated by the Company which is payable by the Company)). All up-front costs and intermediary charges and commissions will be borne by the investor through the price which the investor pays for the Offer Shares. In respect of each investor, Foresight Group's fees will be reduced by the Existing Shareholder Loyalty Discount and the Early Bird Discount, and any other discount Foresight Group may agree to offer any particular or group of investors, applicable to that investor. The aggregate fee under this agreement will be limited to £1.6 million unless resolution 2 to be proposed at the General Meeting is approved by Shareholders.
- 6.1.6 A deed of amendment dated 18 May 2017 to the investment management agreement referred to in paragraph 6.1.1 to be entered into between the Company (1), Foresight (2) and (Foresight Group (3) pursuant to which the annual management fee in respect of investment management services will be reduced to an amount equal to 2% of the net assets of the Company, together with any applicable VAT thereon, and the cap on the normal annual expenses of the Company will be reduced to an amount equal to 2.95% of the Company's net assets. This agreement will become effective on the Effective Date and will be conditional on the Scheme becoming effective.
- 6.2 The following contracts will be entered into, subject, inter alia, to the approval by Shareholders of applicable Resolutions at the General Meeting and, in the case of paragraphs 6.2.1 and 6.2.2, the Scheme becoming effective:
- 6.2.1 A transfer agreement between the Company and F3 (acting through the Liquidators) pursuant to which all of the assets and liabilities of F3 will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Consideration Shares in accordance with Part I of this document. The Liquidators will further agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of F3 will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme and is subject to non-material amendments.
- 6.2.2 A deed of indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Scheme and is subject to non-material amendments.
- 6.2.3 A deed of amendment to the investment management agreement referred to in paragraph 6.1.1 to be entered into between the Company (1), Foresight (2) and Foresight Group (3) pursuant to which the annual management fee in respect of investment management services will be reduced to an amount equal to 2% of the net assets of the Company, together with any applicable VAT thereon, and the cap on the normal annual expenses of the Company will be reduced to an amount equal to 3.5% of the Company's net assets. This agreement will be entered into as part of the Merger and is subject to non-material amendments.

## **7. Corporate Governance**

### **7.1 Board Of Directors**

The Board consists solely of non-executive directors. In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to Foresight, Foresight Group, Foresight Fund Managers and Shakespeare Martineau LLP, the Company has not appointed a chief executive officer, deputy chairman or a senior independent non-executive director.

Simon Jamieson is the chairman of the Company. The Directors (other than Peter Dicks who is considered non-independent under the Listing Rules by virtue of being a director of companies which are managed by Foresight) are considered to be independent.

In view of its non-executive nature and the requirement of the Articles that Directors retire by rotation at the annual general meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. However, the Board has agreed that each Director will retire and, if appropriate, may seek re-election after each year. Non-independent Directors are required to retire annually.

### **7.2 Board Committees**

The Audit Committee comprises Michael Gray (chairman), Peter Dicks and Simon Jamieson, all of whom are considered to have sufficient recent and relevant financial experience to discharge the role, and meets: monitor the integrity of the financial statements of the Company and approve the accounts;

- review the Company's internal control and risk management systems;
- make recommendations to the Board in relation to the appointment of the external auditors;
- review the external auditor's independence; and
- implement and review the Company's policy on the engagement of the external auditors to supply non-audit services.

The Audit Committee performs an assessment of the audit process on an annual basis.

The Nomination Committee comprises Simon Jamieson (chairman) and Peter Dicks and meets at least annually to consider the composition and balance of skills, knowledge and experience of the Board and to make nominations to the Board in the event of a vacancy. The Nomination Committee also considers the resolutions of the annual re-election of Directors.

The Management Engagement and Remuneration Committee comprises Simon Jamieson (chairman, Peter Dicks and Michael Gray and annually reviews the appropriateness of Foresight and Foresight Group's appointment. In carrying out its review, the Management Engagement and Remuneration Committee considers the investment performance of the Company and the ability of Foresight and Foresight Group to produce satisfactory investment performance. It also considers the length of the notice period of the investment management agreement and fees payable under such agreement, together with the standard of other services provided which include company secretarial services (provided by Foresight Fund Managers).

### **7.3 Internal control**

The Directors have overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The internal controls system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives. The system is designed to meet the particular needs of the Company and the risks to which it is exposed and by its nature can provide reasonable but not absolute assurance against misstatement or loss.

As the Board has delegated the financial administration to Foresight, Foresight Group and Foresight Fund Managers, the Board feels that it is not necessary to have its own internal audit function. It has decided that the systems and procedures employed by Foresight, Foresight Group and Foresight Fund Managers, the Audit Committee and other third party advisers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors.

Shakespeare Martineau LLP provide legal advice and assistance in relation to the maintenance of VCT tax status, the operation of the agreements entered into with Foresight and the application of the venture capital trust legislation to any company in which the Company is proposing to invest.

Foresight Fund Managers was appointed by the Board as company secretary in 2004 with responsibilities relating to the administration of the non-financial systems of internal control. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

Following publication of Internal Control: Guidance for Directors on the UK Corporate Governance Code (the Turnbull guidance), the Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the year under review and up to date of approval of the annual report and financial statements, and that this process is regularly reviewed by the Board and accords with the guidance. The process is based principally on Foresight and Foresight Group's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by Foresight, Foresight Group and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The Board is provided with reports highlighting all material changes to the risk ratings and confirming the action that has been, or is being, taken. This process covers consideration of the key business, operational, compliance and financial risks facing the Company and includes consideration of the risks associated with the Company's arrangements with Foresight, Foresight Group, Foresight Fund Managers and Shakespeare Martineau LLP.

The Board, through the Audit Committee, performed a specific review for the purpose of the annual report. The review considered the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board which was satisfied with the outcome of the review.

## **8. Taxation**

- 8.1 The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Board as to the position of the Company's Shareholders who hold Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or may be subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.
- 8.2 Taxation of dividends - under current law, no tax will be withheld by the Company when it pays a dividend.
- 8.3 Stamp duty and stamp duty reserve tax - the Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the Consideration Shares to be issued pursuant to the merger. The Company has been advised that the transfer of Consideration Shares will, subject to any applicable exemptions, be liable to ad valorem stamp duty at the rate of 0.5% of the consideration paid. An unconditional agreement to transfer such Consideration Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50 pence per £100 (or part thereof) of the consideration paid.
- 8.4 Close company - the Board believes that the Company is not, and expects that following completion of the Scheme it will not be, a close company within the meaning of ITA 2007. If the Company was a close company in any accounting period, approval as a VCT for the Company would be withdrawn.

## **9. Related Party Transactions**

Save for the directors' fees paid to the Directors (as detailed in paragraph 4.5 above), the fees paid to Foresight in respect of its investment management and administration arrangements (as detailed in paragraph 6.1.1 above) and the fees paid to Foresight Group in respect of offer promotion services of £29,000, £nil, £nil and £nil in the years ended 31 March 2014, 2015 and 2016 and to the date of this document in the current financial year, there were no related party

transactions or fees paid by the Company during the years ended 31 March 2014, 2015 and 2016 or to the date of this document in the current financial year.

## 10. General

### **Working Capital Statement**

10.1 The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

### **Capitalisation and Indebtedness Statements**

10.2 As at 18 May 2017 (the latest practicable date prior to the publication of this document), the Company has no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

10.3 The capitalisation of the Company as at 30 September 2016 (extracted from the Half-Yearly Report), is set out below. There has been no material change in the capitalisation of the Company between 30 September 2016, the date of the Half-Yearly Report and 18 May 2017, the latest practicable date before the date of publication of this document.

<b>Shareholders' Equity</b>	<b>£'000</b>
Called-up share capital	574
Share premium account	5,125
Other reserves	265
Total	<u>5,964</u>

### **Significant Change**

10.4 There has been no significant change in the financial or trading position of the Company since 30 September 2016, the date to when the Half-Yearly Report was made up to, to the date of this document.

10.5 There has been no significant change in the financial or trading position of F3 since 30 September 2016, the date to when the F3 Half-Yearly Report was made up to, to the date of this document.

10.6 The Merger and the Offer will constitute a significant gross change in relation to the Company. Had the Merger become effective on 30 September 2016 this being the date to which the Half-Yearly Report was made up to and the latest published financial information of the Company) and had the Company completed the acquisition of all of the assets and liabilities of F3 on that date, alongside the Offer having been fully subscribed utilising the over-allotment facility as at that date, the effect of this significant gross change would have been to increase the net assets of the Company by approximately £121.5 million (this being the net asset value of F3 as at 30 September 2016 (this being the date to which the F3 Half-Yearly Report was made up to), plus the gross proceeds of the Offer of £100 million, less the expected maximum costs of the Merger of £400,000 and the maximum costs of the Offer of £5.5 million (assuming it is fully subscribed by Direct Investors) and the Special Dividend (assuming 105,161,597 number of Shares in issue following the Merger) expected to be, in aggregate, £4,206,464). The assets to be acquired as part of the Scheme are expected to consist of investments in 24 companies with an unaudited value of £30.2 million and £1.4 million in cash, money market funds and other investments (as at 30 September 2016, taken from the F3 Half-Yearly Report). The extent of the liabilities (if any) which will be transferred from F3 to the Company as part of the Merger will be those which are incurred in the ordinary course of business (£49,000 as at 30 September 2016, taken from the F3 Half-Yearly Report) together with the Merger costs which remain unpaid at the time of transfer. The Company would have derived earnings from the acquisition of the assets in the same manner as earnings are derived from its current invested assets and, therefore, the Merger and the Offer are expected to have had an earning enhancing impact on the earnings of the Company if the Scheme had become effective on 1 October 2016 (this being the first day following the date to which the Half-Yearly Report was made up to).

## **Other**

- 10.7 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company is aware) which may have, or have had in the 12 months immediately preceding the date of this document, a significant effect on the financial position or profitability of the Company.
- 10.8 There have been no important events so far as the Company and the Directors (and the Proposed Director) are aware relating to the development of the Company or its business.
- 10.9 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Company and the Directors (and the Proposed Director) are aware.
- 10.10 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year, so far as the Company, the Directors and the Proposed Director are aware.
- 10.11 BDO LLP, Shakespeare Martineau, Scott-Moncrieff and the Liquidators have given and not withdrawn their written consent to the issue of this document and the inclusion of their names and the references to them in this document in the form and context in which they appear (including, in respect of Scott Moncrieff, the reproduction of letter provided by them contained in Part VII of this document).
- 10.12 Shareholders will be informed, by means of the half-yearly and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a VCT detailed in this document are breached.
- 10.13 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policy as set out in this document. There are no firm commitments in respect of the Company's principal future investments.
- 10.14 All Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 10.15 The Company has no employees or subsidiaries.
- 10.16 The profile of a typical investor for whom Shares in the Company are designed is a retail investor, aged 18 or over, who is a UK tax payer and is who is looking for exposure to investments in unquoted companies. Any decision to invest in the Company should be based on consideration of this document as well as the latest publically available financial information on the Company. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from the investment.
- 10.17 The Company does not have any material shareholders with different voting rights.
- 10.18 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007, as more particularly detailed in Part VIII of this document, and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out on pages 40 and 41 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:
- 10.18.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC; and

- 10.18.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings.
- 10.19 The Company and its Shareholders are subject to the provisions of the City Code on Takeovers and Mergers and CA 2006, which require shares to be acquired/transferred in certain circumstances. The Merger by way of the Scheme, however, will be outside the provisions of the City Code on Takeovers and Mergers.
- 10.20 The issued share capital of the Company as at the date of this document is 57,375,499. Assuming the Offer proceeds but the Merger does not proceed, the maximum number of Offer Shares to be issued by the Company is 150 million. On this basis, the existing Shares would represent 27.67% of the enlarged issued share capital of the Company. The actual number of Offer Shares will depend on the Offer prices at which such shares are issued subject to the maximum of £100 million (including the over-allotment facility) being raised by the Company. Assuming the Merger proceeds but the Offer does not proceed, the maximum number of Consideration Shares to be issued by the Company is 55 million. On this basis, the existing Shares would represent 51.06% of the enlarged issued share capital of the Company. The actual number of Consideration Shares will depend on the relative merger net assets of the Companies calculated in accordance with the Scheme terms. Assuming both the Offer and the Merger proceed, the maximum number of New Shares to be issued by the Company is 205 million. On this basis, the existing Shares would represent 21.87% of the enlarged issued share capital of the Company.
- 10.21 Foresight Group CI Limited is a company limited by shares incorporated on 12 February 2010 in Guernsey with registered number 51471. The business of Foresight is primarily the provision of investment management and advisory services. Its principal place of operation is Dorey Court, St Peter's Port GY1 4EU (telephone number: 01481 702 400). Foresight CI is licenced by the Guernsey Financial Services Commission.
- 10.22 Foresight Group LLP is a limited liability partnership incorporated on 25 October 2001 in England and Wales with registered number OC300878. The business of Foresight Group, this primarily being investment management and advisory services, was previously carried on by VCF Partners, formed in 1984, before being novated to Foresight Group. Its principal place of operation is The Shard, 32 London Bridge Street, London SE1 9SG (telephone number: 020 3667 8100). Foresight Group is authorised by the FCA.
- 10.23 Foresight Fund Managers Limited is a company limited by shares incorporated on 8 December 1995 in England and Wales with registered number 03135882. Foresight Fund Managers is a wholly owned subsidiary of Foresight Group and its primary activity is to provide company secretarial and administrative services to Foresight Group and the funds managed or advised by Foresight Group. Its principal place of operation is The Shard, 32 London Bridge Street, London SE1 9SG (telephone number: 020 3667 8100).
- 10.24 All third party information in this document has been identified as such by reference to its source and in each instance has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render such reproduced information inaccurate or misleading.
- 10.25 In respect of the Companies, the annual report and financial statements for the years ended 31 March 2014, 2015 and 2016 and the half-yearly reports for the six month periods ended 30 September 2015 and 2016 are being incorporated by reference into Part V of this document. All documents incorporated by reference can be accessed on the Foresight Group website ([www.foresightgroup.eu](http://www.foresightgroup.eu)) and are available for inspection through the national storage mechanism, which can be accessed at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).
- 10.26 The Company, the Directors and the Proposed Director consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the closing date of the Offer which is expected to take place on 30 April 2018 (subject to extension by the Board or being fully subscribed before this date). There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus in the UK.

**10.27 Financial intermediaries must give investors information on the terms and conditions of the offer being made by the financial intermediaries at the time they introduce such offer to investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent in paragraph 10.26 above.**

**11. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Shakespeare Martineau LLP, 60 Gracechurch Street, London, EC3V 0HR and also at the registered office of the Company:

- 11.1 the memorandum and articles of association of the Company;
- 11.2 the annual report and financial statements of the Company for the financial years ended 31 March 2014, 2015 and 2016 and half-yearly reports for the six month periods ended 30 September 2015 and 2016;
- 11.3 the annual report and financial statements of F3 for the financial years ended 31 March 2014, 2015 and 2016 and half-yearly reports for the six month periods ended 30 September 2015 and 2016;
- 11.4 the material contracts referred to in paragraph 6 above (the contracts referred to at paragraph 6.2 being subject to non-material amendment);
- 11.5 the consents referred to at paragraph 10.11 above;
- 11.6 the F3 Circular;
- 11.7 the Circular; and
- 11.8 this document.

19 May 2017

## OFFER APPLICATION TERMS AND CONDITIONS

1. The maximum amount to be raised under the Offer is £50 million (with an over-allotment facility for a further £50 million). The maximum number of Offer Shares to be issued pursuant to the Offer is 150 million Offer Shares.
2. The contract created by the acceptance of Applications in the manner herein set out will be conditional upon the Admission of the Offer Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities unless otherwise so resolved by the Board. If any Application is not accepted or if any Application is accepted for a lower amount than applied for, or if there is a surplus of funds from the Application amount, the Application monies or the balance of the amount paid on Application will be returned without interest by post at the risk of the Applicant (save where the amount is less than £1, in which case you authorise such amount be paid to the Company and used for its own purpose). In the meantime Application monies will be retained by the Receiving Agent in a separate account.
3. The Company reserves the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus Application monies pending clearance of the successful Applicants' cheques and banker's drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the closing date of the Offer.
4. By completing and delivering an Application Form, you (as the Applicant):
  - a. irrevocably offer to subscribe the amount of money specified in your Application Form which will be applied to purchase Offer Shares at the Offer price derived from the Pricing Formula, subject to the provisions of (i) the Prospectus; (ii) these Terms and Conditions; (iii) the Articles; and (iv) any document or information mentioned in paragraph (k) below;
  - b. authorise the Company's Registrars to send definitive documents of title for the number of Offer Shares for which your Application is accepted and to procure that your name is placed on the register of members of the Company in respect of such Offer Shares and authorise the Receiving Agent to send you a crossed cheque for any monies returnable, by post to your address as set out in your Application Form;
  - c. in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any Offer Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your Application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon dispatch by post, delivery by hand (or, if electronic submission is accepted, on the sending of such electronic submission) of your Application Form duly completed to the Receiving Agent;
  - d. understand that your cheque or banker's draft will be presented for payment on receipt, and agree and warrant that it will be honoured on first presentation and agree that, if it is not so honoured, you will not be entitled to receive certificates for the Offer Shares applied for or to enjoy or receive any rights or Distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Offer Shares, the Company may (without prejudice to their other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);
  - e. agree that any subscription monies, together with other monies received from other Applicants, may be held on trust by the Receiving Agent, as may be applicable, for the purposes of either (a) the payment of the Offer price in respect of Offer Shares you have subscribed for or (b) the return to you (without interest earned in respect of such monies) in circumstances where such payment(s) as referred to in (a) are not made. In circumstances

- where (b) applies, you acknowledge that interest earned on such monies will be paid to the Company;
- f. agree that any monies refundable to you may be retained by the Receiving Agent, as may be applicable, pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will be paid without interest;
  - g. agree that all Applications and instructions to facilitate any initial adviser charges and contracts resulting therefrom shall be governed by and construed in all respects in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Applications and instructions to facilitate any adviser charges, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
  - h. agree that, in respect of those Offer Shares for which your Application has been received and processed and not refused, acceptance of your Application shall be constituted by inclusion in an allotment of Offer Shares to you by the Receiving Agent;
  - i. agree that, having had the opportunity to read the Prospectus (and any supplementary prospectus issued by the Company), you shall be deemed to have had notice of all information and representations concerning the Company contained therein and in any announcement made by the Company on an appropriate Regulatory Information Service (whether or not so read);
  - j. agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application Form;
  - k. confirm that in making such Application you are not relying on any information or representation in relation to the Company other than those contained in the Prospectus (or any supplementary prospectus issued by the Company) and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
  - l. confirm and warrant that the information provided on the Application Form is true and accurate and that any instructions thereon in relation to the facilitation of initial adviser charges are confirmed and that you irrevocably authorise the Company (as required) to make such payments from your investor entitlement;
  - m. confirm that you have reviewed the restrictions contained in this paragraph 4 and paragraph 5 below and warrant as provided therein;
  - n. confirm that you are not a US person as defined under the United States Securities Act of 1933, as amended, or a resident of Canada and that you are not applying for any Offer Shares with a view to their offer, sale, delivery to or for the benefit of any US person or a resident of Canada, and that you have reviewed the restrictions contained in paragraph 5 below and warrant compliance therewith;
  - o. warrant that, in connection with your Application, you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company the Receiving Agent or Foresight Group acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your Application;
  - p. confirm that you are not under the age of 18 years;
  - q. agree that these warranties are made to the Company and the Receiving Agent;
  - r. agree to provide the Company and/or the Receiving Agent with any information which either may request in connection with your Application and/ or in order to comply with the Venture Capital Trust or other relevant legislation and/or the Money Laundering Regulations 2007 (as the same may be amended from time to time);

- s. warrant that, if you sign the Application Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;
  - t. consent to the information provided on the Application Form being provided to the Receiving Agent, Foresight Group (as the promoter to the Offer) and the Registrars to process shareholding details and send notifications to you;
  - u. agree that neither the Receiving Agent nor Foresight Group will regard you as its customer by virtue of you having made an Application for Offer Shares or by virtue of such Application being accepted; and
  - v. declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring Offer Shares and that the Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.
5. No action has been or will be taken in any jurisdiction by, or on behalf of, the Company which would permit a public offer of Offer Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of the Prospectus other than in the United Kingdom. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an Application for Offer Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
  6. The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. Foresight Group is not and will not be registered under the United States Investment Advisers Act of 1940, as amended. No subscription will be accepted if it bears an address in the USA.
  7. The Offer is conditional on the approval of Shareholders at the General Meeting. If approval is not provided the Offer will be withdrawn. The Offer cannot be withdrawn after dealings in the Offer Shares have commenced, but otherwise the Offer may be suspended or withdrawn at the Board's discretion.
  8. The basis of allocation will be determined by the Company (after consultation with the Receiving Agent) in its absolute discretion. It is intended that Applications will be accepted in the order in which they are received. The Offer will be closed at 12.00 noon on 30 April 2018 or as soon as full subscription is reached (unless extended by the Directors or closed earlier at their discretion). The Offer will not be extended to a date later than 12 months following publication of the Prospectus. The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any Application, in particular multiple and suspected multiple Applications which may otherwise be accepted and the Board in its absolute discretion may decide to increase the Offer fundraising amount by the over-allotment facility (subject to the overall aggregate maximum number of 150 million Offer Shares to be issued pursuant to the Prospectus). Application monies not accepted or if the Offer is withdrawn will be returned to the Applicant in full by means of a cheque, posted at the Applicant's risk. The right is also reserved to treat as valid any Application not complying fully with these terms and conditions of Application or not in all respects complying with the Application procedures set out on pages 101 and 102 of the Prospectus. In particular, but without limitation, the Company (after consultation with the Receiving Agent) may accept Applications made otherwise than by completion of an Application

Form where the Applicant has agreed in some other manner to apply in accordance with these terms and conditions. The Offer is not underwritten. The Offer will be suspended if at any time the Company is prohibited by statute or other regulations from issuing Offer Shares.

9. Authorised financial intermediaries who, acting on behalf of their clients where those clients are Execution-Only Investors or Professional Client Investors, return valid Application Forms bearing their stamp and FCA number will normally be paid 3% commission on the amount payable in respect of the Offer Shares allotted for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold such Offer Shares, such intermediaries will be paid an annual trail commission of 0.5% of the net asset base value for each such Offer Share. For this purpose, "net asset base value" means the net assets attributable to the Offer Share in question as determined from the audited annual accounts of the Company as at the end of the preceding financial year.

It is expected that annual trail commission will be paid quarterly. The administration of annual trail commission will be managed on behalf of the Company by Foresight Fund Managers (on behalf of Foresight Group) which will maintain a register of intermediaries entitled to trail commission. Foresight Group and Foresight Fund Managers shall be entitled to rely on a notification from a client that he has changed his adviser, in which case, the trail commission will cease to be payable to the original adviser and will be payable to the new adviser if one is appointed. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 3% of the Offer price of each such Offer Share or in respect of any period commencing after the sixth anniversary of the closing date of the Offer. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for commission. The Receiving Agent will collate the Application Forms bearing the financial intermediaries' stamps and calculate the initial commission payable which will be paid within one month of the allotment.

10. Financial intermediaries may agree to waive initial commission in respect of your Application. If this is the case then the amount of commission taken into account in calculating your bespoke Offer price for Offer Shares under the Pricing Formula will be reduced to the extent that such commission has been waived, thereby increasing the number of Offer Shares which you will be issued under the Offer.
11. Existing shareholders in the Foresight VCTs will be entitled to the Existing Foresight Shareholder Loyalty Discount as described on page 36 of the Prospectus. Investors whose Applications are received by 12.00 noon on 31 July 2017 will (if accepted) be entitled to the Early Bird Discount of 2.0% and investors whose Applications are received after 12.00 noon on 31 July 2017 but before 12.00 noon on 30 November 2017 will (if accepted) be entitled to the Early Bird Discount of 1.0%, in each case as described on page 36 of the Prospectus. Foresight Group reserves the right to extend the dates to which Early Bird Discounts apply. Foresight Group may further agree to offer further discounts to any particular or group of investors.
12. For the avoidance of doubt, any commission payable to a financial intermediary under paragraph 9 above will be expressed, for the purposes of calculating a bespoke issue price to an investor as described in the Pricing Formula, as a percentage of the investment amount. This will however not affect the amount of commission payable to a financial intermediary.
13. Where Application Forms are returned by you or on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your Application having first categorised you as a Retail Client Investor, the Company will facilitate the payment of any adviser charge agreed between you and your intermediary (up to a maximum of 4.5% of the investment amount), as validated by your completion of section 3 on the Application Form. The amount of the agreed adviser charge will be facilitated as set on pages 35 and 36 of the Prospectus.
14. The Company may make non-material amendments to these terms and conditions for the purpose of expedient processing of Applications.
15. Save where the context requires otherwise, terms defined in the prospectus issued by the Company dated 19 May 2017 ("Prospectus") bear the same meaning when used in these terms and conditions of Application and in the Application Form.

**Lodging of Application Forms and dealing arrangements**

Completed Application Forms with the appropriate remittance must be posted or delivered by hand (unless agreed otherwise) on a Business Day between 9.00 a.m. and 5.30 p.m. to:

**The City Partnership (UK) Limited, 110 George Street, Edinburgh EH2 4LH.**

The Offer opens on 19 May 2017 and will close at 12.00 noon on 30 April 2018, or earlier at the discretion of the Directors. The Directors in their absolute discretion may also decide to extend the Offer to a date no later than 12 months following publication of the Prospectus. If you post your Application Form, you are recommended to use first class post and to allow at least two Business Days for delivery.

It is expected that dealings in the Offer Shares will commence three Business Days following allotment and that share certificates will be dispatched ten Business Days after allotment of the Offer Shares. Allotments will be announced on an appropriate Regulatory Information Service.

Temporary documents of title will not be issued. Dealings prior to receipt of share certificates will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all. To the extent that any Application is not accepted any excess payment will be returned without interest by returning the Applicant's cheque or banker's draft or by sending a crossed cheque in favour of the Applicant through the post, at the risk of the person entitled thereto.

## NOTES ON HOW TO COMPLETE THE OFFER APPLICATION FORM

Before making any Application to acquire Offer Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.

To fill out the Application Form:

<b>SECTION 1</b>
<p>Insert your full name and address in <b>BLOCK CAPITALS</b>. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the Offer Shares issued to you pursuant to the Offer. Nominee names may be used provided details of the beneficial shareholder(s) are also included. You must also give your own address, full postcode, telephone number, date of birth and National Insurance Number. Telephone numbers will only be used in case of a query with regard to your Application.</p> <p>Please tick the relevant box in this Section if you are an existing shareholder in one or more of the Foresight VCTs. If you are a beneficial shareholder you may be asked for additional supporting information to qualify for the Existing Foresight Shareholder Loyalty Discount (which shall be applied at the discretion of Foresight Group). Please also complete your bank details if you would like dividends paid into a nominated bank account.</p>
<b>SECTION 2</b>
<p>Insert (in figures) the total amount you wish to invest. Your Application must be for a minimum of £3,000 and thereafter in multiples of £1,000. You can specify in Section 2 how you would like your subscription monies split between the 2017/18 and 2018/19 tax years.</p> <p>If you are paying by cheque please make it payable to 'The City Partnership - Foresight 4 VCT. Cheques must be honoured on first presentation. A separate cheque must accompany each Application. No receipt for your payment will be issued. The cheque or banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque. Additionally, if you use a building society cheque or banker's draft, you should write the name, address and date of birth of the person named in Section 1 of the Application Form on the back of the cheque or banker's draft. You may pay by direct transfer. For details please see page 102 of the Prospectus. Cheques and transfers from corporate accounts are not permitted. Any monies not accepted will be returned by the Applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the Applicant.</p>
<b>SECTION 3</b>
<p>To be completed by advised Retail Client Investors only where facilitation of an up-front adviser charge is required.</p> <p>If you have an authorised financial intermediary, such as an IFA, who has made a personal recommendation in relation to your Application having classified you as a Retail Client Investors, and you would like the payment of your agreed adviser's fee with your intermediary to be facilitated through your subscription for Offer Shares, please specify in Section 3 the amount of the initial up-front adviser fee agreed between you in relation to this product (the maximum amount which will be facilitated is 4.5%) which will be paid by the Company to your authorised financial intermediary. For the avoidance of doubt, any adviser charge payable to a financial intermediary in connection with an Application for Offer Shares will be expressed, for the purposes of calculating a bespoke issue price to an Investor under the Pricing Formula, as a percentage of the investment amount. This will however not affect the amount of commission payable to a financial Intermediary.</p>
<b>SECTION 4</b>
<p>Sign and date the form. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.</p>
<b>SECTIONS 5-9</b>
THESE SECTIONS ARE TO BE COMPLETED BY YOUR AUTHORISED FINANCIAL INTERMEDIARY.

**MONEY LAUNDERING NOTICE - IMPORTANT**

If the Application is for the Sterling equivalent of €15,000 or more (or is one of a series of a linked Applications the value of which exceeds that amount), the identity of the Applicant and, if a cheque is drawn by a third party, the identity of that third party must be verified as set out below. If an Application is through an authorised intermediary, you will not need to provide appropriate documents.

If an Application is made direct (not through an authorised intermediary), you must ensure that the following documents are enclosed with the Application Form:

If The City Partnership (UK) Limited has previously received the appropriate documents, you will not need to provide them again.

1. a certified copy of either the passport or the driving licence of the Applicant (and cheque payer if different); and
2. an original bank or building society statement or utility bill (no more than three months old), or recent tax bill, in the name of the Applicant (and cheque payer if different).

Copies should be certified by a solicitor or bank. Original documents will only be returned if requested and by post at your risk.

**Please send the entire Application Form and a cheque made payable to 'The City Partnership - Foresight 4 VCT' (unless you have made the payment by electronic bank transfer) by post to the Receiving Agent using the following address:**

<b>BY POST</b>	<b>BANK TRANSFERS</b>
The City Partnership (UK) Limited 110 George Street Edinburgh EH2 4LH	Sort code: 80-22-60 A/c number: 16094563 A/c name: City Partnership - Foresight 4 VCT Bank: Bank of Scotland BIC: BOFSGBS1SDP IBAN: GB02BOFS80226016094563 Please reference bank transfers with your surname and initials.

# Application Form - Private Investors

## FORESIGHT 4 VCT PLC (THE COMPANY) - OFFER SHARES OF 1P EACH IN THE COMPANY

This Application Form should be completed in full and sent by post or by hand addressed to "Foresight 4 VCT Offer", The City Partnership (UK) Limited, 110 George Street, Edinburgh, EH2 4LH so as to arrive as soon as possible but in any case no later than 12.00 noon on 5 April 2018 in respect of Applications for the 2017/18 tax year and 12.00 noon on 30 April 2018 in respect of Applications for the 2018/19 tax year. Cheques should be enclosed with the Application Form made payable to 'The City Partnership - Foresight 4 VCT'.

**Before completing this Application Form you should read the prospectus dated 19 May 2017 ("Prospectus"), in particular the risk factors on pages 14 to 17, the terms of the Offer in Part II on pages 34 to 36, the Terms and Conditions of Application on pages 96 to 100 and the Application Procedures on pages 101 and 102. Definitions used in the Prospectus apply herein.**

**CHEQUES** Make payable to 'The City Partnership - Foresight 4 VCT (Note: Cheques drawn on corporate accounts cannot be accepted)

**BANK** Sort code: 80-22-60 Account no: 16094563 Bank: Bank of Scotland

**TRANSFERS** BIC: BOFSGBS1SDP IBAN: GBO2BOFS80226016094563

The Offer will open on 19 May 2017 and will be closed at 12.00 noon on 30 April 2018 (or earlier if the Offer is fully subscribed or otherwise at the Board's discretion). The Board reserves the right to extend the Offer.

Please note that the number of Offer Shares to be allotted to a successful Applicant will be determined by applying the Pricing formula set out on page 36 of the Prospectus. The applicable net asset value for the Pricing formula will be the latest net asset value published by the Company at the time of allotment.

**Foresight Group (on behalf of the Company) will decide, in its absolute discretion, to accept or reject the Application and will notify you of its decision.**

**If you do not receive an acknowledgement of your Application within ten days of sending it to The City Partnership, please contact Foresight Group on 020 3667 8159.**

### SECTION 1: PERSONAL DETAILS

TITLE: MR/MRS/MISS/MS/DR/OTHER:

DATE OF BIRTH:

FORENAMES:

NATIONAL INSURANCE NO (mandatory):

SURNAME:

ADDRESS:

EMAIL:

TEL NO (DAY):

TEL NO (EVENING):

POSTCODE:

I AM AN EXISTING SHAREHOLDER IN A FORESIGHT VCT

IF 3 YEARS OR LESS THEN PLEASE PROVIDE PREVIOUS ADDRESS:

PLEASE TICK THIS BOX IF YOU WOULD LIKE TO RECEIVE STATUTORY INFORMATION FROM THE COMPANY EVEN IF YOUR SHARES ARE TO BE HELD IN A NOMINEE ACCOUNT

POSTCODE:

PLEASE TICK THIS BOX IF YOU ARE A US CITIZEN

COUNTRIES WHERE YOU ARE TAX RESIDENT:

IF YOU ARE A US CITIZEN, PLEASE PROVIDE YOUR US TAXPAYER IDENTIFICATION NUMBER (TIN):

**NOTE: Foresight Group may, if necessary, disclose information to HMRC and the IRS in order to satisfy its FATCA obligations.**

### DIVIDEND PREFERENCES

IF YOU WOULD PREFER YOUR DIVIDENDS TO BE PAID DIRECTLY INTO YOUR ACCOUNT, PLEASE INDICATE YOUR ACCOUNT DETAILS HERE, OTHERWISE YOU WILL BE SENT A CHEQUE:

(Please note your first dividend payment may be made by cheque even if you elect direct payment, due to time scales)

ACCOUNT NAME:

BANK/BUILDING SOCIETY:

SORT CODE:

ACCOUNT NUMBER:



## SECTION 2: SUBSCRIPTION

I offer to subscribe for the following amount in the Company on the terms and conditions of application as set out in the Prospectus and subject to the Memorandum and Articles of Association of the Company. (Applications must be for a minimum of £3,000 and thereafter in multiples of £1,000).

TOTAL:	TAX YEAR 2017/18:	TAX YEAR 2018/19:
£:		

I enclose a cheque or banker's draft drawn on a UK clearing bank, made payable to "The City Partnership-Foresight 4 VCT"

I have made the above payment by electronic bank transfer which I have referenced using my surname and initials

## SECTION 3: TO BE COMPLETED ONLY BY ADVISED RETAIL CLIENT INVESTORS REQUESTING FACILITATION OF UP-FRONT ADVISER CHARGES

AMOUNT\* OF THE AGREED UP-FRONT ADVISER FEE \*maximum £ 4.5% \_\_\_\_\_

Please note: You should be entitled to claim income tax relief on your gross investment. The Company will not facilitate on-going Adviser Charges.

## SECTION 4: SIGNATURE

SIGNATURE OF APPLICANT: \_\_\_\_\_ DATE: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_

BY SIGNING THIS APPLICATION FORM I HEREBY IRREVOCABLY DECLARE THAT:

- (i) I have read and understood the application procedures contained herein and agree to be bound by the Terms and Conditions of subscription contained on pages 96 to 100 of the Prospectus;
- (ii) if I have completed Section 3, I am declaring and validating to Foresight Group and the Receiving Agent the amount of the facilitation charge(s) specified therein and am agreeing to the making, by the Company, of a facilitation payment of that amount;
- (iii) if my authorised financial intermediary has classified me as an elective Professional Client for the purposes of this Application, I am aware of the risks involved in such classification and of the rights I am giving up and I wish to be treated as a Professional Client in respect of my Application; and
- (iv) to the best of my knowledge and belief, the particulars I have given are correct.



# Application Form and Authorised Intermediary Certificate

FORESIGHT 4 VCT PLC (THE COMPANY)

## SECTION 5: TO BE COMPLETED BY THE INVESTOR'S FINANCIAL INTERMEDIARY

FIRM NAME:	EMAIL:
INVESTMENT ADVISER/PARTNER:	ADVISER'S EMAIL:
MAIN POINT OF CONTACT FOR COMMUNICATION PURPOSES:	TEL NO (DAY):
	TEL NO (EVENING):
ADDRESS:	FAX:
	FIRM FCA REGISTRATION NO:
	PARTNER/ADVISER FCA REGISTRATION NO:
POSTCODE:	ADVISER/PARTNER REFERENCE (if applicable):
	DATE:
SIGNATURE:	

## SECTION 6: INTERMEDIARY REMUNERATION (YOU MUST ELECT ONE OF THE TWO OPTIONS)

Please tick either Option 1 or Option 2 and ensure that this is consistent with section 3 of the Application Form

**OPTION 1: TICK THIS BOX IF YOU HAVE PROVIDED ADVICE TO YOUR CLIENT AND ANY AGREED UP-FRONT ADVISER CHARGES COMPLY WITH COBS 6.1A**

If you have ticked Option 1 go directly to Section 8

**OPTION 2: TICK THIS BOX IF YOU ARE ENTITLED TO RECEIVE COMMISSION (PLEASE READ NOTE BELOW)**

**IF YOU HAVE TICKED OPTION 2 PLEASE WRITE IN THE REASON HERE AND COMPLETE SECTION 8 BELOW**

Note: Post Retail Distribution Review (RDR), only advisers with investors who are categorised as "professional" under FCA Rules or certain execution only intermediaries remain entitled to receive commission. Post the FCA Policy Statement 13/1, platforms may no longer receive commission whether they follow an advised or an execution only model.



**SECTION 7: COMMISSION WAIVER DETAILS (ONLY COMPLETE IF COMMISSION SELECTED IN SECTION 6)**

INITIAL COMMISSION WAIVED\* WILL BE INVESTED IN FORESIGHT 4 VCT PLC FOR YOUR CLIENT. PLEASE INSERT THE AMOUNT OF COMMISSION YOU WISH TO BE WAIVED IN THE BOX. \*maximum 3% \_\_\_\_\_ %

**SECTION 8: INTERMEDIARY'S BANK DETAILS**

PLEASE PROVIDE DETAILS OF YOUR BANK OR BUILDING SOCIETY ACCOUNT FOR ADVISER CHARGES OR COMMISSION (AS APPLICABLE)

ACCOUNT NAME: \_\_\_\_\_ BANK/BUILDING SOCIETY: \_\_\_\_\_

SORT CODE:       ACCOUNT NUMBER:

**SECTION 9: AUTHORISED INTERMEDIARY CERTIFICATE TO BE COMPLETED BY THE INVESTOR'S FINANCIAL INTERMEDIARY**

We, the authorised intermediary identified in Section 5 above, have applied customer due diligence measures on a risk-sensitive basis in respect of the investor to the standard required by the Money Laundering Regulations 2007 within the guidance for the UK financial sector issued by the Joint Money Laundering Steering Group. In the event that the beneficial owner is not the investor named in section 1 above, we certify that we have identified that the beneficial owner is:

NAME: \_\_\_\_\_

BY SUBMITTING THIS APPLICATION FORM:

- i. to the extent I am an Appointed Representative, I warrant and represent that my principal has also accepted the Foresight Group's Terms of Business for Intermediaries; and
- ii. I make the above confirmation regarding the customer due diligence.

**SPECIAL INSTRUCTIONS**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**NOTES**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





## CORPORATE INFORMATION

### **Directors**

Simon Jamieson (Chairman)  
Peter Dicks  
Michael Gray

### **Proposed Director**

Raymond Abbott

### **Company Registration Number**

03506579

### **Company Secretary**

Foresight Fund Managers Limited  
The Shard  
32 London Bridge Street  
London SE1 9SG

### **Solicitors to the Companies**

Shakespeare Martineau LLP  
60 Gracechurch Street  
London EC3V 0HR

### **Liquidators**

Keith Allan Marshall and Gareth Harris  
RSM Restructuring Advisory LLP  
Springfield House  
76 Wellington Street  
Leeds LS1 2AY

### **Receiving Agent**

The City Partnership (UK) Limited  
110 George Street  
Edinburgh  
EH2 4LH

### **Auditors**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

### **Broker**

Panmure Gordon (UK) Limited  
One New Change  
London EC4M 9AF

### **Registered Office**

The Shard  
32 London Bridge Street  
London SE1 9SG

Tel: 020 3667 8159

[www.foresightgroup.eu](http://www.foresightgroup.eu)

### **Investment Manager**

Foresight Group CI Limited  
P.O. Box 156  
Dorey Court  
St Peter Port  
Guernsey GY1 4EU

### **Sponsor**

BDO LLP  
55 Baker Street  
London W1U 7EU

### **Reporting Accountants and Independent Valuer**

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL

### **Registrars**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY

### **Bankers**

Barclays Bank plc  
54 Lombard Street  
London EC3P 3AH





**Foresight Group LLP**

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